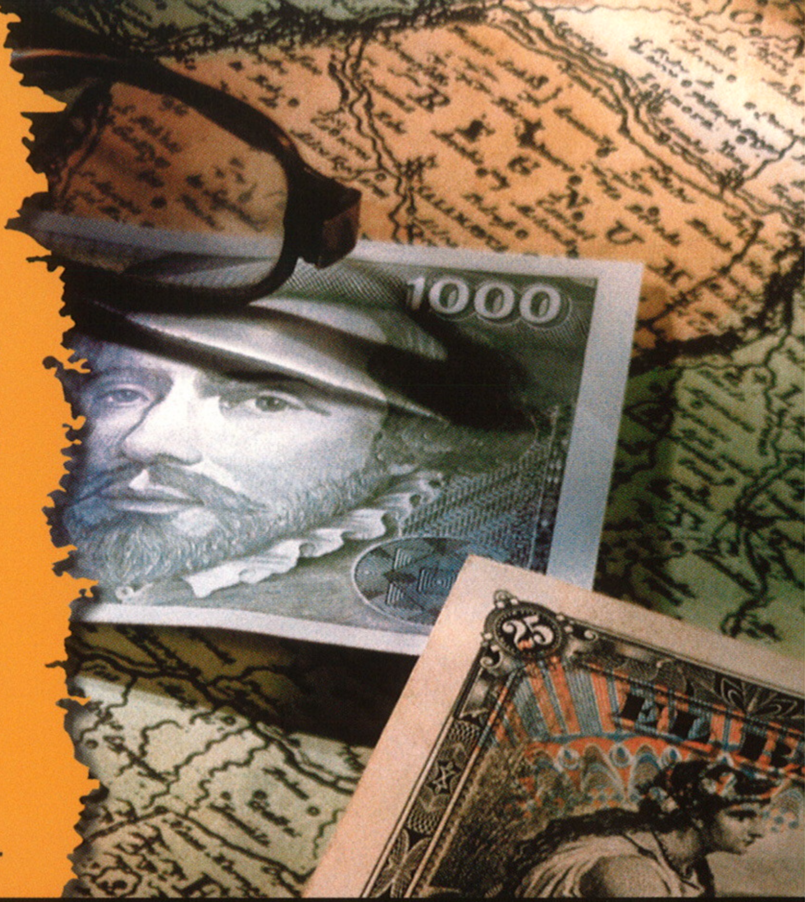

CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE

EMPLOYEES' RETIREMENT SYSTEM

A Component Unit of the Consolidated Government of the City of Baton Rouge and Parish of East Baton Rouge, Louisiana

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge ERS

209 St. Ferdinand Street
Baton Rouge, LA 70802
Phone: 225-389-3272
Fax: 225-389-5548

CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM
COMPREHENSIVE ANNUAL FINANCIAL REPORT –
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF
THE CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE, LOUISIANA
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

JEFFREY R. YATES
RETIREMENT ADMINISTRATOR

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EMPLOYEES' RETIREMENT SYSTEM
209 ST. FERDINAND STREET
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MAILING ADDRESS
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EMPLOYEES' RETIREMENT SYSTEM
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EMAIL ADDRESS
retirementoffice@brgov.com

PREPARED BY THE ADMINISTRATIVE AND ACCOUNTING DIVISIONS OF THE CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE EMPLOYEES' RETIREMENT SYSTEM

COVER AND DIVIDER DESIGN BY:
THE IMAGE SOURCE, INC.
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CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

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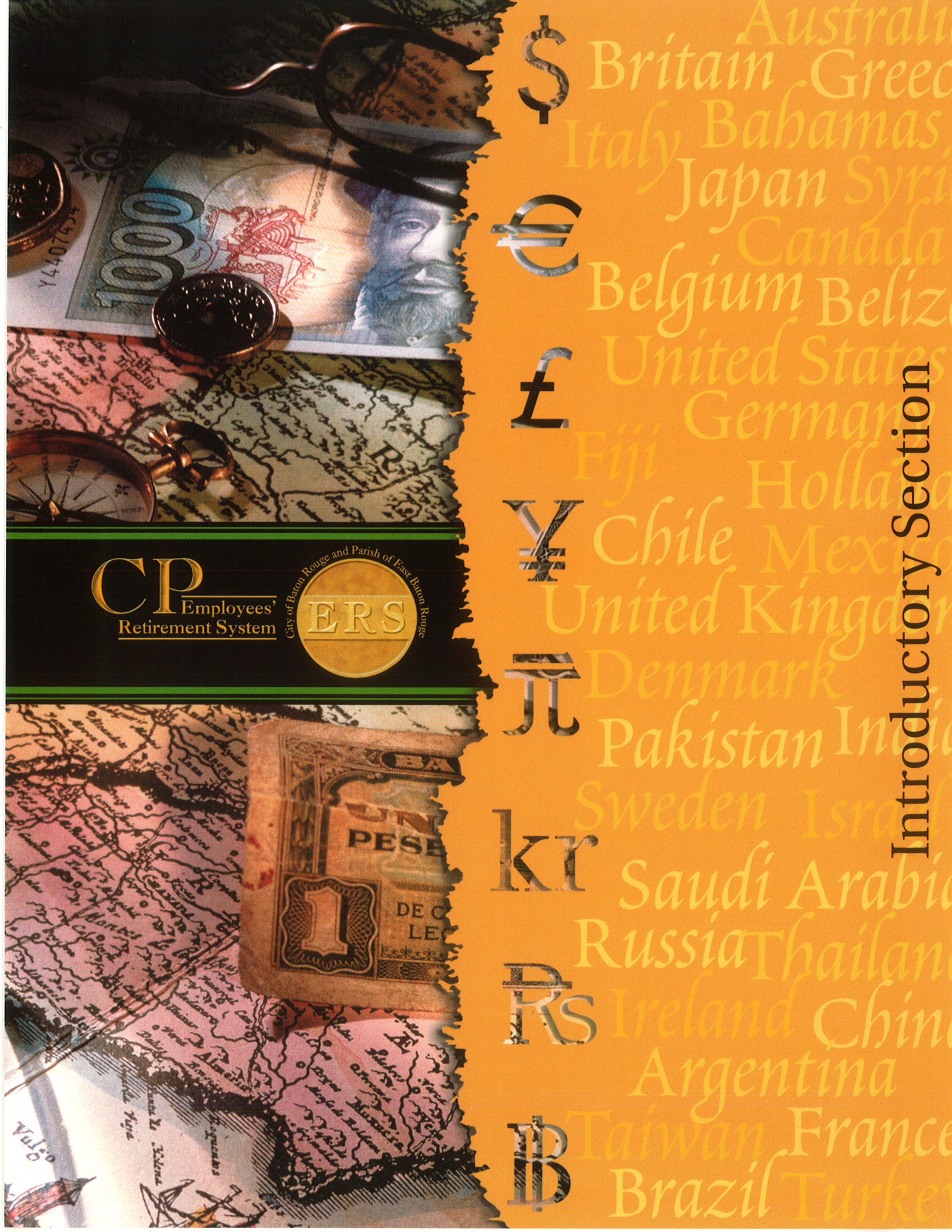


Introductory Section

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

Employees' Retirement System

City of Baton Rouge
Parish of East Baton Rouge

209 St. Ferdinand Street (70802)
Post Office Box 1471
Baton Rouge, Louisiana 70821

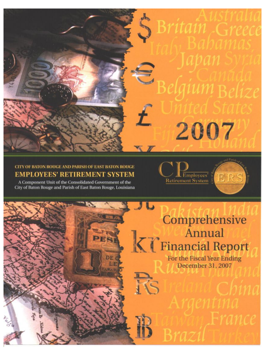
Phone: (225) 389-3272
Fax: (225) 389-5548

LETTER OF TRANSMITTAL

June 23, 2008

Board of Trustees
City of Baton Rouge and Parish
of East Baton Rouge
Employees' Retirement System
Post Office Box 1471
Baton Rouge, LA 70821

Dear Retirement Board Members:



We are pleased to again submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (the Retirement System) for the fiscal year ended December 31, 2007. This CAFR is submitted in accordance with Section 1:253 of the Retirement Ordinances, which requires an annual audit report. This section specifically mandates that the Board of Trustees shall have prepared and submitted annually to the Metropolitan Council, an audit report by an independent firm of certified public accountants.

Responsibility for the accuracy of financial statements and all disclosures rests with management of the Retirement Office. To the best of our knowledge and belief, all information is accurate and has been prepared by the accounting staff in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). As a supplement to the financial statements, please refer to Management's Discussion and Analysis in the Financial Section.

As in past years, the format for the Comprehensive Annual Financial Report reflects separate disclosures in appropriate sections relative to the City-Parish Employees' Retirement System (CPERS) original trust and the Police Guarantee Trust (PGT). The 2007 CAFR is divided into the following seven sections as listed below:

- The Introductory Section contains the letter of transmittal, a listing of the members of the Retirement Board of Trustees, a listing of the administrative staff and professional consultants, the Retirement System's organizational chart, the Certificate of Achievement for Excellence in Financial Reporting, and an overall plan summary.

- The Financial Section is composed of the Independent Auditors' Report, the Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, Management's Discussion and Analysis, the financial statements, and Notes to the Financial Statements, followed by Required Supplementary Information and Supporting Schedules.

- The Investment Section is comprised of the investment consultant's report on investment activity, the Statement of Investment Policies and Objectives, Investment Summary, charts showing the actual and target asset allocations, List of Investments, Investment Performance Measurements, Annual Rates of Return, and a Schedule of Commissions Paid to Brokers.

- The Actuarial Section (CPERS trust) sets forth information applicable to the City-Parish Employees' Retirement System CPERS trust, and contains the actuary's certification letter, a summary of principal system provisions, a summary of actuarial assumptions and methods, schedules showing accrued liability analysis and reconciliation, an analysis of financial experience, employer contribution calculation results, active and retiree membership data, and other pertinent actuarial data.

- The Actuarial Section for the Police Guarantee Trust (PGT) is applicable only to the Police Guarantee Trust, and contains the actuary's certification letter, a summary of principal system provisions, a summary of actuarial assumptions and methods, a summary of actuarial accrued liabilities and net assets available for benefits, and active and retiree membership data.

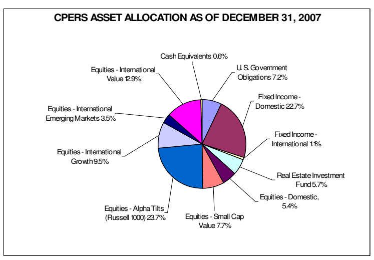
- The Statistical Section displays trend information on selected data such as active, DROP, and retired members, amounts of benefits paid, System revenues and expenses, various statistical graphs, and a list of employing agencies that remit contributions to the Retirement System.

- The last section, Alternative Retirement Plans, contains information on the Retirement System's two additional alternative retirement plans: the Deferred Retirement Option Plan (DROP) and the Excess Benefit Plan.

DEFINITION AND PURPOSE OF ENTITY

The City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System, a defined benefit pension plan, was originally created by Council Ordinance No. 235 and Council Ordinance No. 276, effective December 31, 1953, to provide retirement allowances and other benefits for regular employees of the City of Baton Rouge. Police officers and firefighters were incorporated into the Retirement System effective January 1, 1956 by Council Ordinance No. 474. The Retirement System is governed by a seven member Board of Trustees, and all invested funds, cash and property are held in the name of the City-Parish Employees' Retirement System for the exclusive benefit of the membership, both active and retired.

MAJOR INITIATIVES



In June of 2007, significant changes were made to the CPERS and PGT investment allocations, as directed by the Board of Trustees. Following due diligence visits to prospective investment managers and contract negotiations, the asset allocation was further diversified to conform to the investment consultant's recommendations. The domestic core bond fixed income allocation of the System's assets was broken into three equal portions which included core, core-plus, and absolute return strategies. The Board retained BlackRock and hired Pyramis Global Advisors and Western Asset Management to manage these mandates respectively. This was the first change to the fixed income allocation in nearly ten years, and shows the Board's resolve to position all asset classes for maximum return on investment. Also hired, in a dual capacity, was Dimensional Fund Advisors which now manages domestic small cap value equities as well as emerging market value equities. Although the System has had a presence in global equity securities for years, this was the first designated exposure to securities of emerging markets nations. These additional asset classes should help to enhance CPERS' long-term investment performance while lowering overall portfolio volatility. The CPERS staff also used this reallocation and addition of asset classes as an opportunity to rebalance the entire CPERS and PGT portfolios to conform to the consultant-recommended asset allocations. The System's target asset allocation remained at 35 percent fixed income, including real estate, and 65 percent equity, and the assumed investment rate of return remained at 7.75 percent.

In 2007, CPERS publicized to its public safety members the availability of a maximum $3,000 reduction to taxable income for health and long-term care insurance premiums in accordance with the Pension Protection Act of 2006. 2007 was the first year this benefit was available for enrollment at CPERS. The benefit was announced through *Retirement News,* the System's newsletter, and by a direct mailing to all retirees who retired from public safety and public safety related positions. As part of retirement counseling for active members in the public safety realm, CPERS also began counseling members and providing enrollment forms relative to this tax-saving benefit.

In September of 2007, CPERS paid out its first ever Supplemental Benefits Payment (SBP) to eligible retirees. The total amount paid to approximately 1,800 retirees was in excess of $1.3 million, and no recipient received less than $600. Although not a true cost-of-living increase, the Retirement Board was excited to be able to declare this non-recurring lump sum payment to retirees. SBP rules allow members who have been retired for the longer periods of time, and who had the longest tenure with the City to receive the larger payment amounts. In addition, members who were fortunate enough to participate in the DROP were given a lower priority for the SBP, since they were deemed to have provided another form of supplemental benefit. Future declarations and payments of the SBP will depend on availability of funds from excess investment revenues, ad-valorem tax receipts, and differentials in the annual Retirement Benefit Adjustment payments.

SERVICE EFFORTS AND ACCOMPLISHMENTS

CPERS prides itself in providing the highest level of member service possible to both active and retired members. For CPERS, communication and service are the key elements to being successful. Increased awareness through improved communication, and technological advances have afforded us the opportunity and capability of continually providing more accurate and timely services such as the issuance of retirement benefit payments, electronic funds transfers, DROP distributions, DROP and contribution tax-deferred rollovers, supplemental funding of DROP accounts, Excess Benefit Plan payments, Supplemental Benefit Payments, refunds of member contributions, member counseling, retiree payroll-related changes, and many more. Federal, state, and local laws affecting pensions frequently change, and CPERS must often change policies and procedures to accommodate these laws. Changes and benefits to members resulting from the Pension Protection Act of 2006 were continuing to be implemented in 2007.

Payments to retirees, survivors, and beneficiaries continued to increase, and in 2007 CPERS paid out over $52.2 million in benefits compared to $47.7 million in 2006; an increase of 9.4%. Distributions of more than $13.3 million were paid to participants from the Deferred Retirement Option Plan (DROP), as compared to $14.5 million in 2006. This represented a decrease of 8.3%. Combined, CPERS paid out in excess of $65.5 million to eligible retirees, survivors, and beneficiaries during the year. Compared to the $62.2 million paid out in 2006, total benefits paid increased by 5.3%.

The average monthly benefit of CPERS retirees continued to increase as salaries and the number of retirements increased. For 2007, retirees drew an average monthly benefit of $1,644, which represented an increase of 5.1% over the 2006 average of $1,564. The average monthly withdrawal for DROP funds was $1,323, a decrease of 18.4% from 2006's average of $1,622. This decrease was due in part to another increase in the rate of interest paid to members on their DROP account balances. DROP withdrawals include $1.2 million in rollovers to qualified Individual Retirement Accounts (IRAs) or other qualified plans.

Also, during 2007, refunds were issued to 272 members who terminated employment and to beneficiaries of deceased members, compared to 262 issued during 2006. Additionally, some former members chose to rollover the portion of their contributions that was tax-sheltered, into an IRA or another qualified plan. A total of 162 members retired during 2007 compared to 148 during 2006. A total of 111 members entered DROP during 2007 compared to 107 during 2006.

INTERNAL CONTROL

In accordance with Board and management's goals and policies, CPERS maintains a system of internal control that provides reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and regarding the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of control should not exceed benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management. Each year CPERS' independent auditors consider the system of internal control over financial reporting as part of the auditing process. Accordingly, they issue the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*, included in the Financial Section of this document.

ACCOUNTING SYSTEM

An explanation of CPERS' accounting policies is contained in Note 2 of the Notes to the Financial Statements. The basis of accounting, basis of estimates, methods used to value investments and property and equipment, and other significant financial policy information are also explained in detail in the Notes to the Financial Statements.

FUNDING

The funding requirements for the Retirement System are determined by the Retirement System's actuary through a required annual actuarial valuation. Required contributions are broken down between normal cost and amortization of unfunded accrued liability and then stated as a percentage of total system payroll. CPERS is amortizing the unfunded accrued liability over a perpetual 30-year period, which began in 2004. The actuary has reserved the right to recommend incrementing the amortization funding period in future years in an effort to pay down the unfunded accrued liability.

Contributions from members remained at 9.5 percent during 2007 in conformance with the requirement of the Retirement Ordinances which state that the employee contribution rate be set at 50 percent of the maximum employer contribution rate, not to exceed 9.5 percent. A blended employer contribution rate of 19.15 percent produced 2007 General Fund and non-General Fund/Other Employer contribution rates of 16.22 percent and 22.40 percent respectively.

CPERS maintains its goal of becoming a fully funded public employees' retirement system through steady growth of the investment markets, and meeting investment performance objectives. CPERS' 2007 gross investment performance of 4.3 percent fell short of the target investment performance of 7.75 percent. CPERS' asset allocation of 65 percent equities and 35 percent fixed income remained unchanged during the year, in accordance with the recommendation of the investment consultant, and with the expectation that actuarial assumptions and funding goals will be met over an extended time horizon. When comparing the market value of assets with the total actuarial liability, the System's funded ratio declined to 85.8 percent at December 31, 2007 compared to 88.6 percent at December 31, 2006.

CASH MANAGEMENT

Since 2003 CPERS has managed short-term cash through the use of a Short Term Investment Fund (STIF) managed by the custodian bank. Upon the recommendation of the investment consultant, cash management was placed with JPMorgan U.S. Government Money Market Fund, which invests in high-quality, short-term securities issued or guaranteed by the U.S. government or by U.S. government agencies and instrumentalities. This cash represents the daily needs of the Retirement System, primarily for paying benefits to retirees, as well as uninvested cash in the separately managed accounts of the Retirement System's investment managers. With the help of this daily "sweep account", the System is able to be fully invested at all times.

INVESTMENTS

The investments of the Retirement System are governed by the Statement of Investment Policies and Objectives as shown in summary on pages 60 through 65. The Retirement Board members have the fiduciary duty of overseeing the pension fund investments within the guidelines of the investment policy. Perhaps the most influential tool used by the Board to achieve maximum investment performance is that of asset allocation. With guidance from its investment consultant, the Board has adopted a policy, which currently includes investments in large and small-cap domestic equities, international equities, emerging markets equities, core, core-plus, and absolute return fixed-income securities, real estate, and short-term cash. Within these allocations, both value and growth equity biases are utilized. Charts with the current asset allocations are shown on pages 66 through 68. During 2007, CPERS terminated agreements with two domestic equity managers and one fixed-income manager, and contracted with one investment manager to manage domestic small-cap value equity and emerging markets equity, plus two new fixed-income managers for core-plus and absolute return exposure. The performances of all nine managers are measured against predetermined universally recognized indices (benchmarks) as recommended by the investment consultant. CPERS continues to rebalance the allocation of its portfolio to counter market value changes that occur through market value appreciation and depreciation, thereby ensuring that the asset mix remains within acceptable parameters and the portfolio remains true to the targeted asset allocation.

As a separate legal trust, the PGT uses its own asset allocation, which closely resembles that of the original CPERS trust, thereby assuring that investment performance will approximate that of the CPERS trust. Separate investment reports are issued for the

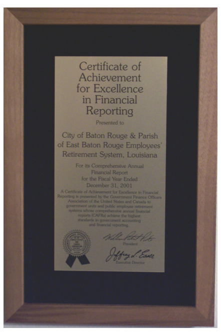
PGT showing performance as measured against standard benchmarks. Investment performance for the two trusts is measured separately and the assets for each are maintained separately.

Investment return for CPERS' assets, gross of investment fees for 2007 was 4.3 percent with the three-year, five-year, and ten-year returns being 9.5, 12.7, and 7.9 percent respectively. A summary of the largest investment holdings can be found on pages 69 through 71.

INDEPENDENT AUDIT

Each year, independent auditors perform a financial and compliance audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards*. As part of their audit, the internal control structure of the Retirement System is considered. For the 2007 annual audit, the auditors were Postlethwaite & Netterville, Baton Rouge, Louisiana. Their opinion letters can be found in the Financial Section of this report.

AWARDS



The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2006. This was the tenth consecutive year that CPERS has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

I am very grateful to the Retirement Board of Trustees for your continued support of the Retirement Office by providing the support and resources needed to perform our jobs in the most expedient manner. Your commitment as fiduciaries to providing excellent benefits to CPERS' members, in a fiscally responsible manner is gratefully acknowledged. The CPERS staff remains committed to working with the Board in every way possible to improve the System for both the members and the participating employers.

I also want to thank the Retirement Office staff for the tireless effort put forth in making the 2007 Comprehensive Annual Financial Report (CAFR) the accurate and professional document it is. While continuing to perform their regular duties in the most professional manner, they were dedicated to gathering data, inputting and typing, proofing and assembling this high quality document. This is the eleventh CAFR prepared by the Retirement Office for submission to the GFOA, and we are confident that it will again be found deserving of the Certificate of Achievement for Excellence in Financial Reporting for the eleventh consecutive year.

Sincerely,

Jeffrey R. Yates

Jeffrey R. Yates, CPA
Retirement Administrator

2007
RETIREMENT BOARD OF TRUSTEES

ADMINISTRATIVE STAFF

Jeffrey R. Yates, C.P.A.
Retirement Administrator

Barbara B. LeBlanc, C.I.A.
Assistant Retirement Administrator

Russell P. Smith, C.P.A.
Accounting Manager

Mark Williams
Retirement Benefits Manager

Linda Verbois
Senior Administrative Specialist

Kyle Drago
Sr. Financial Analyst

Katherine Wesley
Financial Analyst

Lauren Clivens
Financial Analyst

Adrienne Matthews
Sr. Retirement Analyst

Salli Withers
Retirement Analyst

Ana Paula Justino-Isaac
Retirement Analyst

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Stanley, Holcombe & Associates, Inc.
2000 RiverEdge Parkway, Suite 540
Atlanta, GA 30328

AUDITOR

Postlethwaite & Netterville
Certified Public Accountants
8550 United Plaza Blvd, Suite 1001
Baton Rouge, LA 70809

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8182 Maryland Ave. – 6th Floor
St. Louis, MO 63105

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Baton Rouge, LA 70809

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Baton Rouge, LA 70884-3029

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Lafayette, LA 70508

COST ANALYSIS CONSULTANT

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Wichita, KS 67212

CUSTODIAN BANK

J. P. Morgan/Chase
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Baton Rouge, LA 70821-1511

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Western Asset Management Company
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Pyramis Global Advisors
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Boston, MA 02109

DOMESTIC EQUITY

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San Francisco, CA 94105

Roxbury Capital Management
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Portland, OR 97258

Dimensional Fund Advisors, Inc.
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Santa Monica, CA 90401

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United Kingdom

Sprucegrove Investment Management Ltd.
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Toronto, Ontario, Canada, M5H 3M7

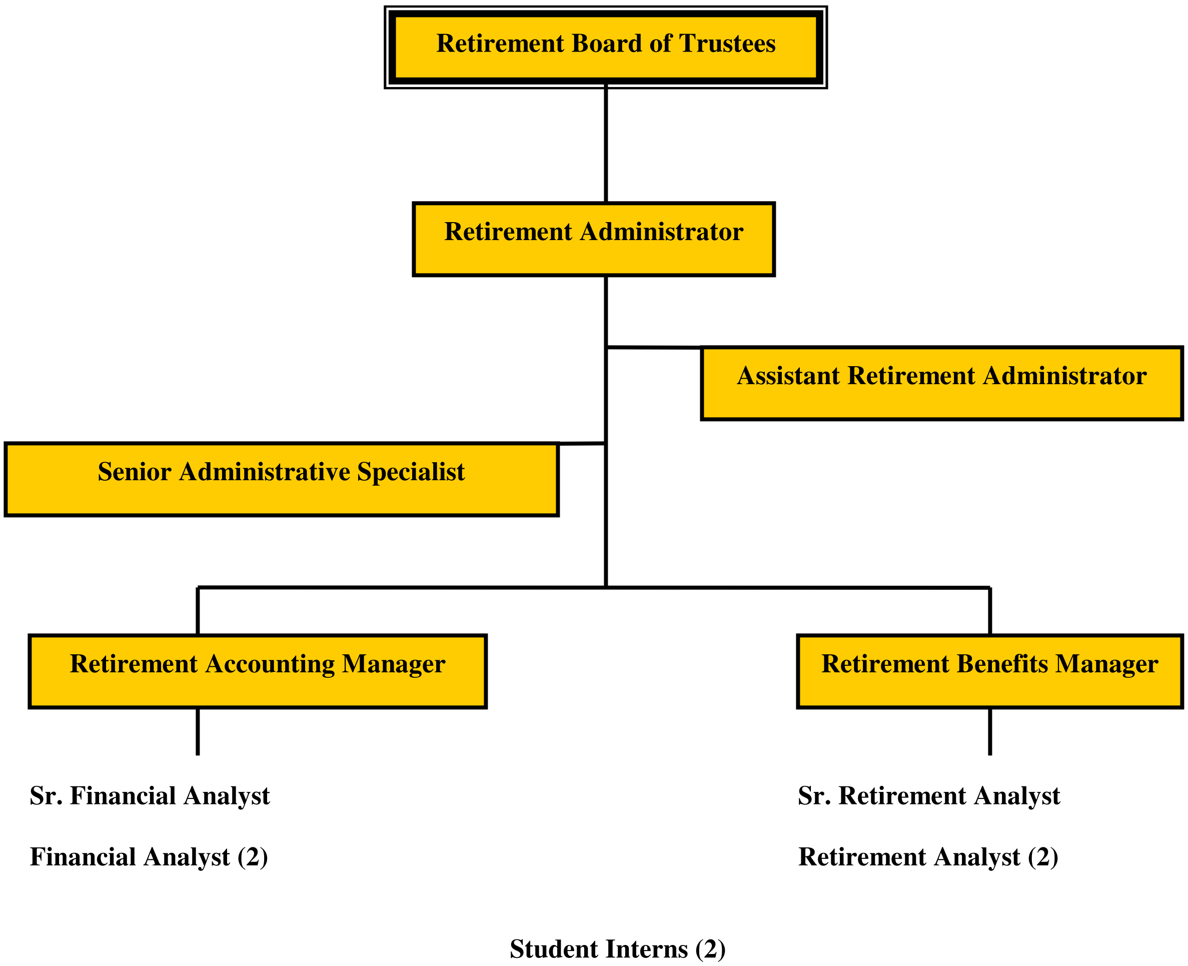
Dimensional Fund Advisors, Inc. – Emerging Markets
1299 Ocean Avenue – 11th Floor
Santa Monica, CA 90401

REAL ESTATE EQUITY

ING Clarion Partners
230 Park Avenue, 12th Floor
New York, NY 10169

RETIREMENT SYSTEM
ORGANIZATIONAL CHART

(See page 12 for specific information regarding investment professionals)



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Baton Rouge & Parish of East Baton Rouge Employees' Retirement System, Louisiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

PLAN SUMMARY

SERVICE RETIREMENT ALLOWANCES

- 25 years or more, any age, 3% of average compensation for each year of service, maximum 90% of average compensation;
- 20 years or more, but less than 25 years, under age 55, 2.5% of average compensation for each year of service less a 3% penalty on the total retirement allowance for each year the member's age at retirement is under 55;
- 10 years or more, but less than 25 years, age 55, 2.5% of average compensation for each year of service; and
- 10 years or more, but less than 25 years, under age 55, 2.5% of average compensation for each year of service upon attaining age 55.

OPTIONAL RETIREMENT ALLOWANCES

- Member may elect a reduced retirement allowance and designate any person to receive the balance of his member contributions in the event member dies before receiving retirement benefits exceeding the amount of his member contributions as of the date of his retirement.
- Member may elect a reduced retirement allowance and designate any person to receive the same reduced retirement allowance for the life of the person so designated.
- Member may elect a reduced retirement allowance and designate any persons to receive a form of benefit certified by the retirement system actuary to be of equivalent actuarial value.

DISABILITY RETIREMENT ALLOWANCES

- Ordinary disability, minimum 10 years service required, minimum 50% of average compensation; additional 2.5% of average compensation for each year of service in excess of 20 years.
- Service-connected disability, no minimum service requirement, minimum 50% of average compensation; additional 1.5% of average compensation for each year of service in excess of 10 years.

SURVIVOR BENEFITS

- The surviving spouse of a contributing member eligible for retirement, or who has at least 20 years of service, receives an actuarially computed benefit for life; or a refund of member contributions.
- The surviving spouse of a contributing member not eligible for retirement receives a monthly benefit of $600 for life or until remarriage, whichever occurs first; or a refund of member contributions limited to the amount remaining after the payment of minor child or unmarried dependent parent benefits, if any.
- The surviving spouse of a service retiree receives a monthly benefit of 50% of the service retiree benefit for life, provided that the surviving spouse was either (1) legally married to the retiree on his date of service retirement or (2) legally married to the retiree for at least 2 years prior to the retiree's death.
- The surviving spouse of a DROP participant receives a monthly benefit of 50% of the DROP participant benefit for life, provided that the surviving spouse was either (1) legally married to the DROP participant on the effective date of his DROP participation or (2) legally married to the DROP participant for at least 2 years prior to the DROP participant's death.

PLAN SUMMARY (CONTINUED)

- The surviving spouse of a service-connected disability retiree receives a monthly benefit of 50% of the service-connected disability retiree benefit for life, provided that the surviving spouse was either (1) legally married to the service-connected disability retiree on his date of service-connected disability retirement or (2) legally married to the service-connected disability retiree for at least 2 years prior to the service-connected disability retiree's death.

- Minor child or children of contributing member receive a monthly benefit of $150 per child until age 18, maximum benefit of $300 if survived by more than 2 children.

DEFERRED RETIREMENT OPTION PLAN (DROP)

- Member must have not less than 25 or more than 30 years of service, regardless of age, to be eligible for up to 5 year participation, or combined service and DROP participation not exceeding 32 years, whichever is less.

- Members with at least 10 years, but less than 25 years of service, and are age 55 or older are eligible for up to 3 year participation.

- Members may participate in DROP only once and are prohibited from becoming a contributing member of the system after participation.

- For DROP participants prior to July 1, 1991 who do not terminate employment at the end of participation, interest earnings on the account are discontinued until termination of employment, and no funds are payable from the account until such termination.

- For DROP participants on or after July 1, 1991 who do not terminate employment at the end of participation, all interest earnings that would have been credited during participation are forfeited, and all funds are immediately distributed to the member.

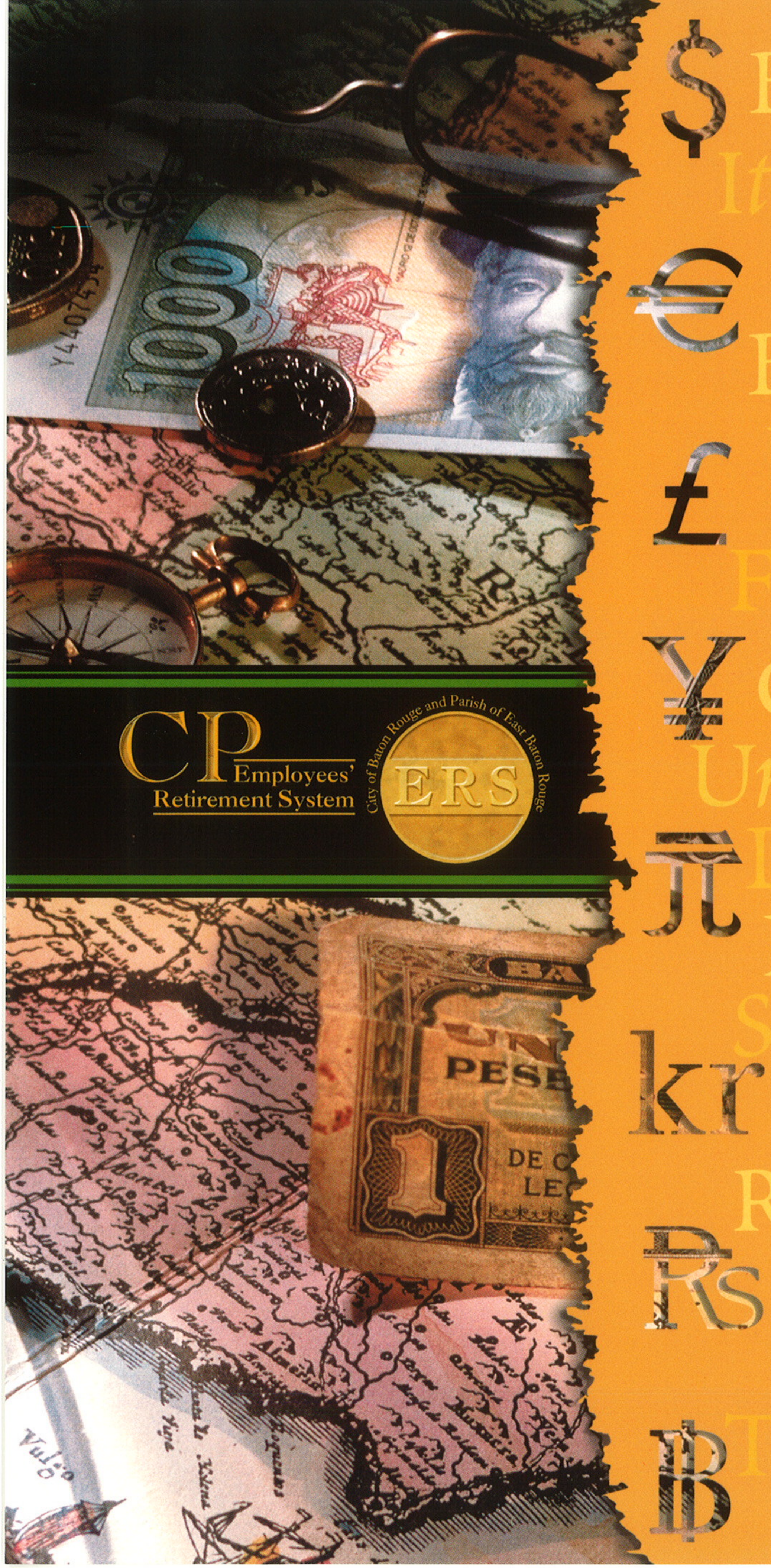
- Upon employment termination, it is mandatory to roll severance/separation pay into an existing DROP account for members who are non public safety officers age 55 or older, while these members younger than age 55 are given the option to roll the funds into the DROP or another qualified plan, or take receipt of the funds. For public safety officers the key age is 50.

ROLLOVER OF ELIGIBLE DISTRIBUTIONS

- Certain distributions from DROP accounts are eligible for rollover to an Individual Retirement Account (IRA), Code Sec. 403(b), 457 or other qualified plans.

MEMBERS WHO TRANSFERRED MEMBERSHIP TO MPERS

- For members who transferred their membership to the Municipal Police Employees' Retirement System (MPERS) the summary of benefits is generally as shown above. Because of the differences in particular CPERS and MPERS benefit provisions, variations may exist. Only provisions specifically set forth in the contract entitled *Agreement and Guarantee of Retirement Rights and Benefits* are guaranteed by CPERS to transferred members.



Financial Section

CP Employees' Retirement System

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Parish of East Baton Rouge

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Post Office Box 1471
Baton Rouge, Louisiana 70821

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Fax: (225) 389-5548

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

June 23, 2008

The management of the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (CPERS) has prepared its basic financial statements and is responsible for the integrity and fairness of the information presented. These statements may include amounts that are based on estimates and assumptions, which incorporate sound business practices. CPERS' accounting policies used in the preparation of these statements conform to accounting principles generally accepted in the United States of America. Financial information presented in all sections of the Comprehensive Annual Financial Report is consistent with the basic financial statements.

Management has made every effort to insure that internal control and office policies and procedures have been maintained to provide assurance that transactions are authorized, assets safeguarded, and proper records maintained.

CPERS' independent auditors, Postlethwaite & Netterville, have conducted an independent audit of the basic financial statements in accordance with auditing standards generally accepted in the United States of America. The scope and findings of their audit are presented in their *Independent Auditors' Report* on page 20. Part of this audit includes consideration of CPERS' internal control over financial reporting as expressed in the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* on page 22. Management has provided the independent auditors with unrestricted access to all records, policies, and procedures during this audit.

Jeffrey R. Yates

Jeffrey R. Yates, CPA
Retirement Administrator

Russell Smith

Russell Smith, CPA
Retirement Accounting Manager

P&N Postlethwaite & Netterville
A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www.pncpa.com

Independent Auditors' Report

Members of the Board of Trustees
City of Baton Rouge and Parish of East Baton Rouge
Employees' Retirement System
Baton Rouge, Louisiana:

We have audited the accompanying statement of plan net assets of the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (the Retirement System), a component unit of the City of Baton Rouge – Parish of East Baton Rouge, as of December 31, 2007 and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Retirement System as of December 31, 2007 and the changes net assets of the Retirement System for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2008 on our consideration of the Retirement System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Compliance and other matters

As part of obtaining reasonable assurance about whether the Retirement System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees of the Plan, the Retirement System's management, the City of Baton Rouge and Parish of East Baton Rouge, and the Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Postlethwaite + Netterville

Baton Rouge, Louisiana
June 23, 2008

P&N

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Trustees
City of Baton Rouge and Parish of East Baton Rouge
Employees' Retirement System:

We have audited the financial statements of the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (the Retirement System), as of and for the year ended December 31, 2007, and have issued our report thereon dated June 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Retirement System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the Retirement System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Retirement System's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Management's Discussion and Analysis and the Schedules of Funding Progress and Employer Contributions listed as Required Supplementary Information in the Table of Contents are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Retirement System. The accompanying financial information as listed in the Table of Contents as Schedules of Administrative Expenses, Schedules of Investment Expenses and Schedules of Payments to Consultants is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The accompanying financial information in the investment section, the actuarial section and the statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Retirement System. The information has not been audited by us, and accordingly, we express no opinion on it.

The combined statement of plan net assets and combined statement of changes in plan net assets as of and for the year ended December 31, 2006 are presented for comparative purposes. These combined totals were included as part of the Retirement System's December 31, 2006 basic financial statements which were audited by us and upon which we issued an unqualified opinion in our report dated June 25, 2007.

Postlethwaite + Netterville

Baton Rouge, Louisiana
June 23, 2008

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CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis of the financial performance of the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System. It is presented as a narrative overview and analysis for the purpose of assisting the reader with interpreting key elements of the financial statements, notes to the financial statements, required supplementary information, and supporting schedules for the current year.

FINANCIAL HIGHLIGHTS

- The net assets held in trust for pension benefits increased only slightly in 2007 by $4.7 million, or .4 percent. Investments performed relatively well until the fourth quarter of the year when most of the gains were negated.

- The gross rate of return on the market value of the System's investments in 2007 was 4.3 percent, versus a gross return of 15.2 percent in 2006. Domestic equity managers failed to meet their designated benchmark returns resulting in a total plan underperformance of 2.7 percent. Domestic real estate proved to be the lone bright spot.

- The amount of retirement benefit payments increased by $3.3 million, representing an increase of 5.2 percent from 2006 to 2007. This included payment of the first ever Supplemental Benefit Payment of $1.3 million. Refunds and withdrawals increased more than five-fold due to the transfer of all retirement contributions and accumulated interest for 33 firefighters who transferred membership to a statewide retirement system.

- The System's funded status increased from 84.2 percent in 2006 to 84.6 percent in 2007, as measured in accordance with GASB 25/27. However, on a market value basis, the funded ratio decreased from 88.6 percent to 85.8 percent. The unfunded actuarial accrued liability increased $2.5 million due to experience losses. The market value of the system's assets moderately exceeded the actuarial value of assets at year end by $14.8 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the CPERS basic financial statements, together with the related notes to the financial statements, required supplementary information, and the supporting schedules, all of which are described below:

Statement of Plan Net Assets – This statement reports the System's assets, liabilities, and resulting net assets held in trust for pension benefits. The original CPERS trust and Police Guarantee Trust are shown both separately and combined. Although not a comparative financial statement per se, it shows the prior year comparative combined totals by line item. This statement should be read with the understanding that it discloses the System's financial position as of December 31, 2007 and provides comparative combined totals at December 31, 2006.

Statement of Changes in Plan Net Assets – This statement reports the results of operations during the calendar years 2007 with comparative combined totals for 2006, categorically disclosing the additions to and deductions from plan net assets. The net increase to plan assets on this statement supports the change in net assets held in trust for pension benefits on the Statement of Plan Net Assets. The original CPERS trust and Police Guarantee Trust are again shown both separately and combined, and again with a column showing the comparative combined totals for the prior year, although the statement is not a comparative financial statement by definition.

Notes to the Financial Statements - The financial statement notes provide additional information that is essential to a complete understanding of the data set forth in the financial statements. They are considered an integral part of the financial statements. A description of the information provided in the notes follows:

CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Note 1 (Plan Description) provides a general description of the Retirement System, including the original CPERS trust and the Police Guarantee Trust. Information is included regarding plan membership, a description of retirement benefits, a description of the Deferred Retirement Option Plan (DROP), and retirement contributions.

- Note 2 (Summary of Significant Accounting Policies) provides information disclosing certain accounting methods and policies used in determining amounts shown on the financial statements. Included in this note is information relative to the basis of accounting, and the determination of estimates, including System investments and property and equipment.

- Note 3 (Cash and Investments) describes System investments and their relationship with the custodian bank. This note includes information regarding the System's cash and investments, use of the custodian's Short Term Investment Fund (STIF), bank balances and their collateralization, and types of investment risk and measurement of that risk for the CPERS investment portfolio.

- Note 4 (Securities Lending Program) provides details of the System's securities lending program as governed by the contract between CPERS and the custodian bank. This note describes how the program is administered by the custodian, and how loans of securities are collateralized.

- Note 5 (Contingencies) gives an overview of an individual retirement benefits matter being litigated, the final result of which could possibly cause the System some financial exposure.

Required Supplementary Information – The required supplementary information consists of two schedules and related notes. These schedules show the funding progress and employer contribution data for the original CPERS trust and the PGT separately. The related notes disclose key actuarial assumptions and methods used in the schedules.

Supporting Schedules – These schedules include information on administrative and investment expenses and payments to consultants.

CPERS FINANCIAL ANALYSIS

CPERS provides retirement benefits to essentially all eligible City-Parish employees and employees of other member employers. These benefits are funded through member contributions, employer contributions, and earnings on investments. Total net assets held in trust for pension benefits at December 31, 2007 were $1.07 billion, which represented an increase of $4.7 million, or 0.5 percent from the $1.06 billion held in trust at December 31, 2006.

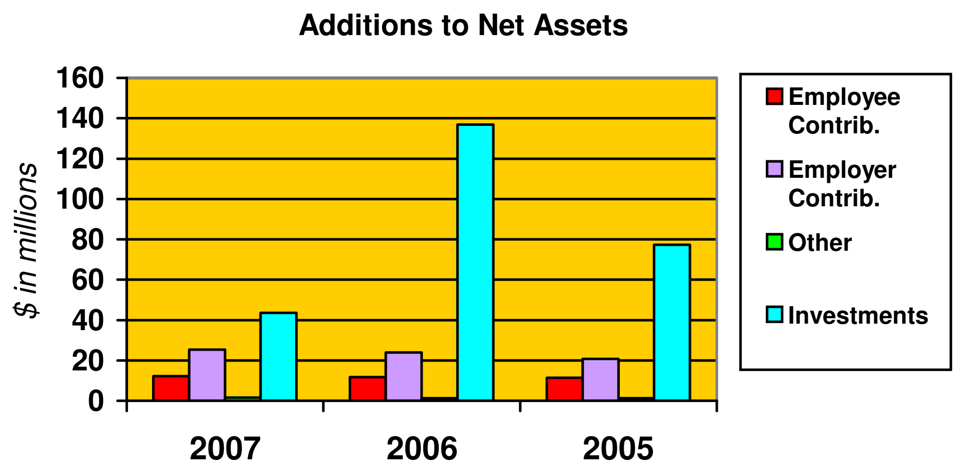
	2007	2006	2005	2007 Increase (Decrease)	2007 % Change
Cash	$ 6,296,942	$ 5,535,854	$ 6,241,735	$ 761,088	13.7 %
Receivables	32,747,913	24,741,001	10,878,071	8,006,912	32.4
Investments (fair value)	1,072,391,479	1,068,804,215	960,861,805	3,587,264	0.3
Securities Lending Collateral	3,619,516	32,337,260	32,426,873	(28,717,744)	(88.8)
Capital Assets	653,385	684,294	715,203	(30,909)	(4.5)
Total Assets	1,115,709,235	1,132,102,624	1,011,123,687	(16,393,389)	(1.4)
Total Liabilities	49,084,413	70,226,698	57,077,928	(21,142,285)	(30.1)
Total Plan Net Assets	$ 1,066,624,822	$ 1,061,875,926	$ 954,045,759	$ 4,748,896	0.4 %

CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

Additions to Plan Net Assets

Additions to CPERS net assets held in trust for pension benefits include contributions from employees and employers, contributions received from employers for purposes of paying severance pay to employees, and investment income. Employee contributions, which continued at 9.5% of payroll for both 2007 and 2006, rose by $506.2 thousand mainly due to normal payroll growth. Employer contributions increased by $1.4 million, also due to normal payroll growth and a modest increase in the required employer contribution rate as recommended by the System's actuary. The blended employer contribution rate for 2007 was 19.15% of payroll, while in 2006 the rate was set at 18.88%. Investment performance came in below the expected 7.75% targeted rate as both domestic and global investment market performance slowed down from the strong 2006 pace. In 2007, CPERS recognized net investment income of $43.5 million, compared to net investment income in 2006 of $136.9 million. In total, the 2007 additions to net assets were $82.7 million as compared to $173.8 million for 2006.



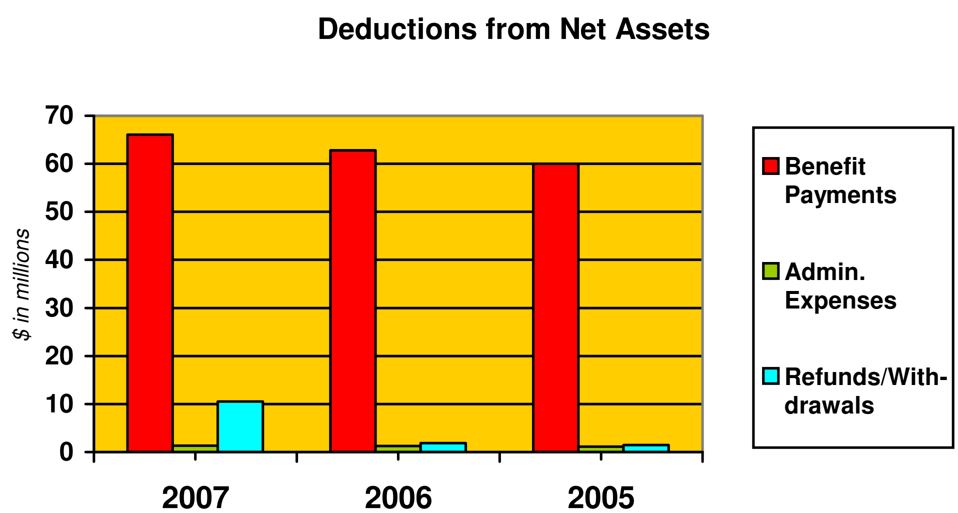
Additions to Net Assets	2007	2006	2005	2007 % Change
Employee Contributions	$ 12,200,849	$ 11,694,604	$ 11,340,942	4.3 %
Employer Contributions	25,344,587	23,958,563	20,731,059	5.8
Net Investment Income	43,514,714	136,932,428	77,371,917	(68.2)
Other	1,591,009	1,196,592	1,310,297	33.0
Total Additions	$ 82,651,159	$ 173,782,187	$ 110,754,215	(52.4) %

CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

Deductions from Plan Net Assets

Deductions from CPERS net assets held in trust for pension benefits are comprised primarily of retirement benefit payments to CPERS retirees, survivors, and beneficiaries. Also included as deductions are administrative expenses, and refunds and withdrawals of employee contributions. For 2007, benefit payments to retirees, survivors, and beneficiaries totaled $66.1 million, which represented an increase of 5.2 percent from the $62.8 million paid out in 2006. The normal monthly payments to pensioners continued to increase, and both the number of pensioners and the average monthly pension increased. 2007 also marked the first year that the Supplemental Benefit Payment of $1.3 million was paid to qualifying retirees. The 2007 administrative expenses increased to $1.33 million from $1.27 million in 2006 representing an increase of 4.2%. And finally, refunds and withdrawals of member contributions increased dramatically by 464.4%, up $8.65 million in 2007 from $1.86 million in 2006, as 33 firefighters transferred all contributions plus interest to the state firefighter's retirement system.



Deductions from Net Assets	2007	2006	2005	2007 % Change
Benefit Payments	$ 66,069,111	$ 62,818,008	$ 59,997,130	5.2 %
Refunds and Withdrawals	10,507,562	1,861,798	1,462,991	464.4
Administrative Expenses	1,325,590	1,272,214	1,144,897	4.2
Total Deductions	$ 77,902,263	$ 65,952,020	$ 62,605,018	18.1 %

Change in Net Assets (Total Additions less Total Deductions)	$ 4,748,896	$ 107,830,167	$ 48,149,197	(95.6) %

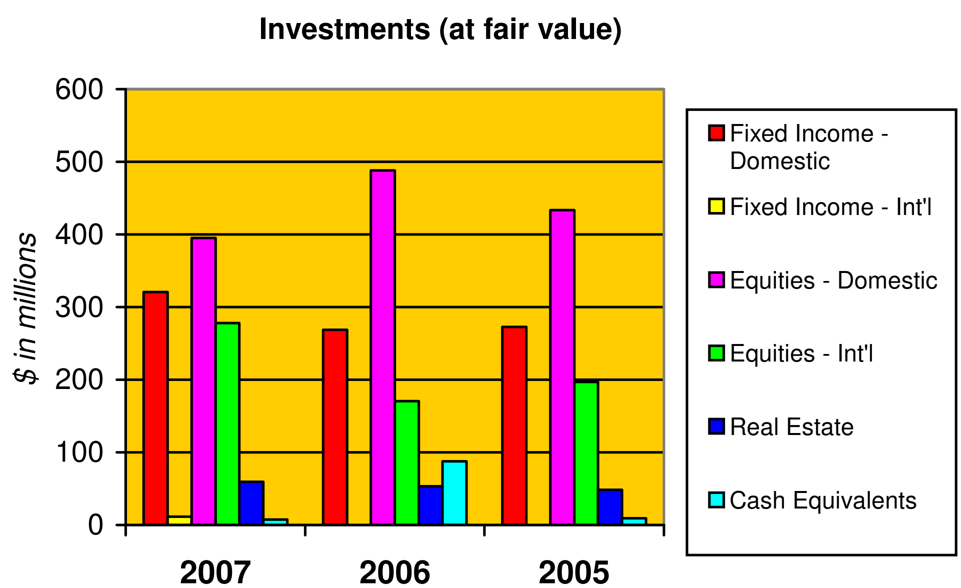
CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

Investments

CPERS' investments, exclusive of securities lending collateral, totaled $1.072 billion at December 31, 2007 as compared to $1.069 billion at December 31, 2006, which represented an increase of $3.6 million or .3%. This disappointing increase fell far short of the target and can be attributed largely to declining or stagnant investment markets. The System maintained its asset allocation of 65% of investments in equities and 35% in fixed-income securities. Both domestic and international equities failed to perform as expected and CPERS' heavier allocation to these investment types served to diminish total fund performance. CPERS experienced a gross market rate of return of 4.3%, which fell short of both the assumed rate of return of 7.75% and the policy index of 7.0%. Investment expenses declined by 12.9% as the value of assets decreased in the unpredictable investment markets. Performance-based fees paid to investment managers decreased accordingly, as most of the managers underperformed their respective benchmarks. In an attempt to capture more excess returns in volatile markets, CPERS expanded its fixed-income base from core only to include core-plus and absolute return strategies, each managed by separate investment managers. This expansion gave CPERS a small exposure to international fixed income securities subject to the discretion, within defined limits, of the investment managers. CPERS also increased the percentage of its equity investments to international managers and ventured into the emerging markets asset class, as recommended by its investment consultant.

When making comparisons from year to year, it is important to be aware that other factors may affect the change in investments, particularly the changes between investment categories and types, as mentioned above. It is also important to note that the investment portfolio is not stagnant, but is traded in part each business day. Investment managers sometimes change allocations between investment types (e.g. treasury bonds to mortgages) or sectors (e.g. financials to technology). Therefore, the reader should be cautious about drawing conclusions as to how and why the portfolio increased or decreased in value. It is perhaps best to refer to the total investment figures to conclude how CPERS' investments performed overall.



CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

Investments (at Fair Value)	**2007**	**2006**	**2005**	**2007 % Change**
Fixed Income – Domestic	$ 320,881,878	$ 268,797,708	$ 272,633,558	19.4
Fixed Income – International	11,500,166	--	--	N/A
Equity securities – Domestic	394,978,683	487,995,666	433,716,460	(19.1)
Equity securities – International	278,072,870	170,703,173	197,098,363	62.9
Real Estate	59,468,521	53,545,902	48,344,326	11.1
Cash equivalents	7,489,361	87,761,766	9,069,098	(91.5)
Total Investments	$ 1,072,391,479	$ 1,068,804,215	$ 960,861,805	0.3 %

REQUESTS FOR INFORMATION

This Comprehensive Annual Financial Report is designed to provide a general overview of the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System's finances for interested parties. Questions concerning any of the information provided herein, or requests for additional financial information should be addressed to the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System, P. O. Box 1471, Baton Rouge, Louisiana, 70821-1471.

CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF PLAN NET ASSETS AS OF DECEMBER 31, 2007
AND COMPARATIVE COMBINED TOTALS FOR 2006

	CPERS Trust	Police Guarantee Trust	2007 Combined Total	2006 Combined Total (Memorandum Only)
Assets				
Cash	$ 6,042,395	$ 254,547	$ 6,296,942	$ 5,535,854
Receivables:				
Employer contributions	2,159,780	8,012	2,167,792	2,087,016
Employee contributions	670,517	717	671,234	660,018
Interest and dividends	675,249	4,105	679,354	1,377,953
Pending trades	28,402,464	62,000	28,464,464	19,880,378
Other	696,927	68,142	765,069	735,636
Total receivables	32,604,937	142,976	32,747,913	24,741,001
Investments (at fair value):				
Fixed Income - Domestic	311,904,537	8,977,341	320,881,878	268,797,708
Fixed Income - International	10,984,883	515,283	11,500,166	-
Equities - Domestic	384,274,168	10,704,515	394,978,683	487,995,666
Equities - International	270,732,222	7,340,648	278,072,870	170,703,173
Real estate investments	59,468,521	-	59,468,521	53,545,902
Cash equivalents	6,459,561	1,029,800	7,489,361	87,761,766
Total investments	1,043,823,892	28,567,587	1,072,391,479	1,068,804,215
Securities lending collateral:				
Short term securities - securities lending program	3,619,516	-	3,619,516	32,337,260
Total securities lending collateral	3,619,516	-	3,619,516	32,337,260
Properties at cost, net of accumulated depreciation of $645,550 and $614,641, respectively	653,385	-	653,385	684,294
Total Assets	1,086,744,125	28,965,110	1,115,709,235	1,132,102,624
Liabilities				
Accrued expenses and benefits	882,910	165,363	1,048,273	1,561,707
Pending trades payable	44,416,624	-	44,416,624	36,327,731
Total accounts payable and other liabilities	45,299,534	165,363	45,464,897	37,889,438
Securities lending obligations:				
Obligations held under securities lending program	3,619,516	-	3,619,516	32,337,260
Total securities lending obligations	3,619,516	-	3,619,516	32,337,260
Total Liabilities	48,919,050	165,363	49,084,413	70,226,698
Net assets held in trust for pension benefits (a schedule of funding progress is presented on page 47)	$ 1,037,825,075	$ 28,799,747	$ 1,066,624,822	$ 1,061,875,926

See accompanying notes to financial statements

CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF CHANGES IN PLAN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2007
AND COMPARATIVE COMBINED TOTALS FOR 2006

	CPERS Trust	Police Guarantee Trust	2007 Combined Total	2006 Combined Total (Memorandum Only)
Additions:				
Contributions:				
Employee	$ 12,133,564	$ 67,285	$ 12,200,849	$ 11,694,604
Employer	25,221,447	123,140	25,344,587	23,958,563
Severance contributions from employee	1,591,009	-	1,591,009	1,196,592
Total contributions	38,946,020	190,425	39,136,445	36,849,759
Investment income:				
Net appreciation in fair value of investments	37,368,930	1,041,711	38,410,641	130,836,864
Interest	6,814,204	61,039	6,875,243	6,907,086
Dividends	1,905,355	-	1,905,355	3,382,355
	46,088,489	1,102,750	47,191,239	141,126,305
Less investment expenses	3,659,692	96,136	3,755,828	4,310,601
Net investment income before securities lending	42,428,797	1,006,614	43,435,411	136,815,704
Securities lending income:				
Income from securities lending activities	132,513	-	132,513	194,124
Less borrower rebates/fees and related expenses	53,210	-	53,210	77,400
Net securities lending income	79,303	-	79,303	116,724
Net investment income	42,508,100	1,006,614	43,514,714	136,932,428
Total additions	81,454,120	1,197,039	82,651,159	173,782,187
Deductions:				
Benefit payments	64,567,396	1,501,715	66,069,111	62,818,008
Refunds and withdrawals	10,507,501	61	10,507,562	1,861,798
Administrative expenses	1,073,946	251,644	1,325,590	1,272,214
Total deductions	76,148,843	1,753,420	77,902,263	65,952,020
Net increase (decrease)	5,305,277	(556,381)	4,748,896	107,830,167
Net assets held in trust for pension benefits:				
Beginning of year	1,032,519,798	29,356,128	1,061,875,926	954,045,759
End of year	$ 1,037,825,075	$ 28,799,747	$ 1,066,624,822	$ 1,061,875,926

See accompanying notes to financial statements

CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

(1) PLAN DESCRIPTION

A. General Organization

The City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (Retirement System/CPERS) is the administrator of a cost-sharing multiple-employer plan (the Plan). At December 31, 2007 the Retirement System provided benefits to employees of the following participating governmental employers:

City of Baton Rouge and Parish of East Baton Rouge (City-Parish)
District Attorney of the Nineteenth Judicial District
East Baton Rouge Parish Family Court
East Baton Rouge Parish Juvenile Court
St. George Fire Protection District
Brownsfield Fire Protection District
East Baton Rouge Parish Fire Protection District No. 6
Eastside Fire Protection District
Recreation and Park Commission for the Parish of East Baton Rouge (BREC)
Office of the Coroner of East Baton Rouge Parish

During 2007 the System transferred all of the Central Fire Protection District members, and a majority of the St. George Fire Protection District members to the Statewide Firefighters' Retirement System of Louisiana in accordance with a Louisiana Revised Statute promoted by these two employers.

The Retirement System is considered a component unit of the financial reporting entity of the City of Baton Rouge and Parish of East Baton Rouge (City-Parish) and is included as a pension trust fund in the City-Parish Comprehensive Annual Financial Report. The accompanying financial statements reflect the activity of the Retirement System.

Under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* (GASB 14), the definition of a reporting entity is based primarily on the concept of financial accountability. In determining its component unit status, the Retirement System considered the following:

- The Retirement System exists for the benefit of current and former City-Parish and participating employer employees who are members of the Retirement System;
- Four of the seven Board members are elected by the employees who participate in the Plan;
- The Retirement System is funded by the investment of contributions from the City-Parish and member employers who are obligated to make the contributions to the Retirement System based upon actuarial valuations.

The Retirement System itself has no component units as defined under GASB 14.

The Retirement System was created by The Plan of Government and is governed by a seven-member Board of Trustees (the Board). The Board is responsible for administering the assets of the Retirement System and for making policy decisions regarding investments. Four of the trustees are elected members of the Retirement System. Two are elected by non-police and non-fire department employees, and one trustee each is elected by the police and fire department employees. The remaining membership of the Board consists of one member appointed by the Mayor-President, and two members appointed by the Metropolitan Council.

CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

(1) PLAN DESCRIPTION, CONTINUED

A. General Organization, Continued

Any person who becomes a regular full-time employee of one of the member employers becomes a member of the Retirement System as a condition of employment, except in the case of newly hired employees of certain participating employers who are mandated to enroll in a statewide retirement system. Contractual employees may or may not become members, depending upon the provisions of their respective contracts.

Substantially all full-time employees of the City-Parish and other member employers are covered by the Retirement System. The Retirement System actuarially determines the contributions required to fund the plan and collects the contributions as a percentage of payroll each payroll period. The Retirement System exists for the sole benefit of current and former employees of the member employers.

B. Police Guarantee Trust (PGT)

The Police Guarantee Trust (PGT) was established as a separate legal trust fund on February 26, 2000 to provide for payment of certain guaranteed lifetime benefits for eligible police employees who transferred their membership to the Municipal Police Employees' Retirement System of Louisiana (MPERS) while retaining certain rights in CPERS. When established, the Trust was funded from the original CPERS trust through a trustee-to-trustee transfer, for the full actuarially determined amount necessary to pay all present and future contractually guaranteed benefits to eligible members and their survivors. The PGT is charged with all of its direct expenses and charged with a percentage of indirect expenses at the rate of twenty percent (20%) for both 2007 and 2006, based on an administrative cost allocation study performed by an outside consultant. The PGT funds are invested similarly to the original CPERS trust funds, with separate investment performance measurement, separate accounting records, and a separate annual actuarial valuation. The Retirement Board is responsible for administering the assets and making investment policy decisions for the PGT.

C. Membership

At December 31, 2007 and 2006, membership in the Retirement System (CPERS trust only) consisted of:

	2007	2006
Inactive:		
Retirees and beneficiaries currently receiving benefits	2,637	2,531
Vested terminated employees	43	44
Deferred retirees	394	405
Total inactive	3,074	2,980
Active:		
Fully vested	1,434	1,511
Nonvested	1,879	1,798
Total active	3,313	3,309
Total Membership	6,387	6,289

CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

(1) PLAN DESCRIPTION, CONTINUED

C. Membership, Continued

The CPERS trust active members (vested and non-vested), inactives (retirees), beneficiaries currently receiving benefits, and terminated employees entitled to benefits but not yet receiving them are categorized as follows:

December 31, 2007		Active		
	Inactive	Vested	Nonvested	Total Active
Regular	1,951	1,043	1,327	2,370
BREC	133	58	341	399
Police	369	48	2	50
Fire	621	285	209	494
	3,074	1,434	1,879	3,313

December 31, 2006		Active		
	Inactive	Vested	Nonvested	Total Active
Regular	1,882	1,064	1,274	2,338
BREC	123	62	322	384
Police	367	50	6	56
Fire	608	335	196	531
	2,980	1,511	1,798	3,309

During 2007 the System transferred all of the Central Fire Protection District members, and a majority of the St. George Fire Protection District members to the Statewide Firefighters' Retirement System of Louisiana in accordance with a Louisiana Revised Statute proposed by these two employers. In all, 33 members of these two employers transferred membership, and contributions plus interest to the statewide system.

D. Benefits

An employee's benefit rights vest after the employee has been a member of the Retirement System for 10 years. Benefit payments are classified into two distinct categories: 1.) full retirement benefits and 2.) minimum eligibility benefits. The service requirements and benefits granted for each category are:

1. Full retirement benefits:
   a. Granted with 25 years of service, regardless of age.
   b. Defined as 3% of average compensation times the number of years of service.

2. Minimum eligibility benefits:
   a. Granted with 20 years of service regardless of age; or at age 55 with 10 years of service.
   b. Defined as 2.5% of average compensation times the number of years of service.

Average compensation is determined by the highest average compensation in 36 successive months. In the case of interrupted service, the periods immediately before and after the interruption may be joined to produce 36 successive months. In cases of less than 25 years of service, the computed benefit amount is reduced by 3% for each year below age 55. Benefits paid to employees shall not exceed 90% of average compensation.

CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

(1) PLAN DESCRIPTION, CONTINUED

D. Benefits, Continued

Pension provisions include both service-connected and ordinary disability benefits. In the case of a service-connected disability, the disabled employee is entitled to receive 50 percent of average compensation, plus an additional factor (1.5%) for each year of service in excess of ten years. In the case of an ordinary disability, ten years of service are required to receive 50 percent of average compensation, or 2.5% times the number of years of creditable service, whichever is greater. Survivor benefits are granted to qualifying surviving spouses of service-connected disabilities, however, disability benefits cease at the death of the disabled employee who retired with an ordinary disability.

Also included in pension provisions are death benefits whereby a qualifying spouse will receive 50 percent of the retired employee's pension amount at no cost to the retiree. A service allowance retiree may also purchase an optional benefit for a spouse or other designated beneficiary, which reduces the monthly pension benefit by an actuarially computed amount. Should an employee die before retirement, but either was eligible for a benefit, or had attained 20 or more years of service, a qualifying spouse may receive an actuarially computed benefit based on the employee's calculated benefit. If the employee dies having less than 20 years of service, before reaching retirement eligibility, the surviving spouse is entitled to $600 per month until the earlier of death or remarriage, plus $150 per month for each minor child (limited to $300), or a refund of the member's retirement contributions.

E. DROP

Deferred retirees (participants in the Deferred Retirement Option Plan (DROP)) are employees who are eligible for retirement, but have chosen to continue employment for a maximum of five years if the member has 25 years of creditable service, or three years if the member has between 10 and 25 years and is age 55 or older. Pension annuities are fixed for these employees and can never be increased, and neither employee nor employer contributions are contributed to the Retirement System on their earnings. DROP deposits for the amount of the participant's monthly benefits are placed in a deferred reserve account until the deferred retirement option period elapses, or until the employee discontinues employment, whichever comes first. These accounts bear interest beginning with the date of the initial deposit for employees who fulfill the provisions of their DROP contract. Failure to fulfill these provisions, specifically to terminate employment at the end of the maximum DROP participation period, results in the enforcement of certain penalty provisions, such as forfeiture of interest and disbursement of the balance of the DROP account to the member or to another qualifying pension plan. Five-year participation in the DROP after 25 years of service is also a guaranteed benefit available to members who transferred membership to MPERS (See Note 1.B). Because MPERS provides for only a three-year DROP, CPERS guarantees the balance of DROP participation, not to exceed the five-year maximum. Penalty provisions remain in place for these members as well. Due to legal requirements, the original CPERS trust DROP accounts are maintained separately from Police Guarantee Trust (PGT) DROP accounts.

DROP deposits are included in plan net assets. The amounts of DROP deposits held in the original CPERS trust DROP accounts and the PGT DROP accounts respectively as of December 31, 2007 were $137,401,262 and $10,364,429. For December 31, 2006, the DROP accounts for the CPERS and PGT trusts totaled $121,834,500 and $9,249,563 respectively. Members maintaining accounts in the original CPERS trust DROP and the PGT DROP respectively as of December 31, 2007 totaled 1,189 and 114. For December 31, 2006, 1,121 and 100 members maintained DROP accounts in the two trusts respectively.

CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

(1) PLAN DESCRIPTION, CONTINUED

F. Contribution Requirements

Contribution rates for each participating employer and its covered employees are established and may be amended by the Retirement System's Board of Trustees, with approval by the Metropolitan Council of the City-Parish. The contribution rates are determined based on the benefit structure established by the Plan provisions. For both 2007 and 2006, Plan members contributed 9.5% of their annual covered salary. Participating employers are required to contribute the remaining amounts necessary to finance the coverage of their employees through periodic contributions at actuarially determined rates. For 2007 and 2006 the City General Fund employer rates were 16.22% and 15.81% while the non-general and other employer rates were 22.40% and 22.38%. The City-Parish provides annual contributions to the Plan as required by the City-Parish Plan of Government, which requires that the Retirement System be funded on an actuarially sound basis. Administrative costs of the Retirement System are provided through investment earnings.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting and Presentation

The Retirement System's financial statements are prepared on the accrual basis of accounting. Contributions from the participating entities and their employees are recognized as revenue when due, pursuant to ordinance requirements, formal commitments, and statutory contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

The financial statements present the CPERS trust and Police Guarantee Trust separately and combined for 2007, with memorandum combined totals for 2006 presented for comparative purposes. The assets of each trust can only be used to pay expenses of that trust, and therefore the combined total columns are not comparable to a consolidation. Intertrust transactions have not been eliminated in the aggregation of this data.

B. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of additions to and deductions from plan net assets during the reporting period. Actual results could differ from those estimates.

C. Method Used to Value Investments

CPERS' investments are reported at fair value, as required by GASB No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sale price at current exchange rates. Investments that do not have an established market are reported at estimated fair value as determined by the Retirement System's investment consultant.

CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Property and Equipment

Property and equipment are carried at historical cost. Depreciation is computed on the straight-line method over 5 to 25 years. Minor equipment and furniture acquisitions are charged to operations as capital outlays in the period they are made. Depreciation expense totaled $30,909 for both the years ended December 31, 2007 and 2006.

(3) CASH AND INVESTMENTS

A. Deposit and Investment Risk Disclosures

The information below presents disclosures of custodial credit risk, credit risk, interest rate risk and foreign currency risk as outlined by GASB Statement No. 40 *Deposit and Investment Risk Disclosures*. These disclosures are included for the purpose of informing financial statement users of the investment risks that could affect the Retirement System's ability to meet its obligations. CPERS' Board mitigates custodial credit risk by having the custodian hold securities in CPERS' name as a requirement of the custody contract. CPERS' investment policy, as adopted by the Board, sets limits on interest rate risk by prohibiting investments in high volatility and low quality rated securities. However, interest rate risk is allowed at reasonable levels as determined and monitored by the System's investment consultant in order to allow the Plan the opportunity to achieve satisfactory long-term results consistent with its objectives. Because the financial statements present the investments by asset class, and because CPERS has a substantial amount of investments in pooled investment funds, the data in the tables may not categorically correlate directly with the investments shown in the statements. Standard & Poor's rates investment grade securities, using AAA, AA, A, and BBB. Securities with these ratings are considered "financially secure". For non-investment grade securities, the ratings BB, B, CCC, CC, C, and D are used. These ratings indicate that the security may be "vulnerable" and as such, is regarded as having vulnerable characteristics that may outweigh its strengths.

B. Cash and Cash Equivalents

All investments of the Retirement System are registered in the Retirement System's name, or held by the custodian bank, JPMorgan/Chase, Baton Rouge, LA, or its intermediaries in the Retirement System's name. The System utilizes a Short Term Investment Fund (STIF) administered by the custodian bank, JPMorgan/Chase, in which all uninvested cash balances of CPERS and its full discretionary investment managers are automatically swept by the custodian into the JPMorgan US Government Money Market Fund, which is an unrated fund that invests in high-quality, short-term securities issued or guaranteed by the US government or by US government agencies and instrumentalities. Deposits in this fund are not insured by the FDIC.

At December 31, 2007, the carrying amount of the Retirement System's cash was $6,296,942 and the bank balance was $6,437,425, of which $100,000 was covered by Federal Depository insurance. The remainder was collateralized by securities held by the System's agent, JPMorgan/Chase, Baton Rouge, Louisiana, in a custodial account in the Retirement System's name. At December 31, 2006, the carrying amount of the Retirement System's cash was $5,535,854 and the bank balance was $5,629,779, of which $100,000 was covered by Federal Depository insurance and the remainder by securities held by the System's agent, JPMorgan/Chase, Baton Rouge, Louisiana, in a custodial account in the Retirement System's name.

CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

B. Cash and Cash Equivalents, Continued

At December 31, 2007 the cash equivalent amounts for both the CPERS trust and the PGT were significantly reduced as compared to the balances at December 31, 2006. The 2006 amounts included the cash proceeds from the liquidation of an international growth equity manager's portfolio. According to the manager's fund liquidity requirements, the liquidation occurred at day's end on December 29, 2006. The funds could not be transferred to the successor manager until the first business day of January, 2007. In the interim, which included December 31, 2006, these funds were invested in the JPMorgan US Government Money Market Fund as part of cash equivalents.

C. Short-Term Investments

The System's short-term funds may be invested in cash equivalent securities, which are defined as any fixed income investment with less than one year to maturity with ratings by both Moody's and S&P of A or better, Money Market Funds, or custodian bank STIF or STEP (Short Term Extendable Portfolio) funds.

D. Investments

Section 9.15 of The Plan of Government of the Parish of East Baton Rouge and the City of Baton Rouge authorizes the Retirement Board to have custody of, and invest the assets of the Pension Trust. As fiduciaries of the Pension Trust, the Board developed and adopted *The Total Plan Statement of Investment Policies and Objectives*, in which are set forth the guidelines for investing the Retirement System's assets. The document sets forth permissible investments summarized as follows:

Cash Equivalent Investments – US Treasury Bills, Commercial Paper, Repurchase Agreements, Money Market Funds, Custodian STIF and STEP Funds
Currency Investments – Foreign Exchange Futures, Forwards, Swaps (applies to global or non-US managers for hedging purposes)
Equity Investments – US and Foreign Common and Preferred Stocks, Convertible Bonds, American Depositary Receipts (ADR's), and 144a Securities
Fixed Income Investments – Bonds (Treasury, Corporate, Yankee), Mortgage-Backed Securities (CMO and CMB), Asset-Backed Securities, Trust Preferred Securities, Medium Term Notes, 144a Securities, and Equity Real Estate

The Retirement System may authorize an agent to participate in securities lending transactions on its behalf. Investment in derivatives, reverse repurchase agreements and other non-traditional types of investments are not specifically authorized under the Board's investment policy, however, in the case of commingled, or pooled/mutual accounts, the provisions of the prospectus or Declaration of Trust take precedence.

Equity securities shall not exceed 5 percent of cost and 7 percent of market value in any one company, and fixed income shall not exceed 2.5 percent of cost and 3 percent of market value; however, the direct debt of the federal government shall not be restricted as a percentage of the portfolio. No investments in any one organization shall represent 5 percent or more of the net assets available for pension benefits, and no single company's securities shall represent more than 5 percent of the cost basis or 7 percent of the market value of any manager's portfolio. There are no investments in loans to, or leases with, parties related to the Plan. Although the Board continued its contractual relationships with outside third party investment managers during 2007, final oversight of investments and investment performance for both the original CPERS trust and the PGT remains with the Board.

CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

D. Investments, Continued

Purchases and sales of investments are recorded on a trade date basis. The Retirement System's Statement of Investment Policies and Objectives prohibits the use of securities that use any form of leverage, or in which interest or principal position is tied to any prohibited type of investment.

CPERS utilizes various investment instruments, which by nature are exposed to a variety of risk levels and risk types, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of securities will occur in the near term, and that such changes could materially affect the amounts reported in the Statement of Plan Net Assets.

The fair values of the Retirement System's investments as of December 31, 2007 and December 31, 2006 are shown in the table below:

Investment Type	Fair Value @ 12/31/2007	Fair Value @ 12/31/2006
Asset Backed Securities	$ 2,566,012	$ 16,056,667
Barclay's Global Investors Russell 1000 Alpha Tilts Fund	--	268,262,169
Barclay's Global Investors Enhanced Equity Index Fund	253,995,312	--
Barclay's Global Investors Russell 2000 Index Fund	4,010,355	5,979,448
Corporate Bonds/Notes – Domestic	19,647,631	19,662,405
Domestic Equities - Active Separate Accounts	57,126,860	234,120,334
Domestic Equities – Pooled Funds	80,111,161	--
Domestic Fixed Income – Pooled Funds	200,667,483	--
Emerging Markets Equities	37,468,900	--
Equity Real Estate Fund	59,468,521	53,545,902
International Fixed Income	11,500,166	--
International Equity - Pooled Funds	240,603,970	170,703,173
Mortgage Backed Securities	90,080,004	80,630,381
Passive Bond Market Index SL Fund	--	136,383,597
Short-Term Investment Fund	7,489,361	87,761,766
United States Government Agencies	2,362,918	2,451,465
United States Treasury Bonds	8,912,341	25,584,168
Total	**$ 1,076,010,995**	**$ 1,101,141,475**

E. Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured, or are not registered in the name of the Retirement System, and are held by either the counterparty or the counterparty's trust department or agent, but not in the System's name.

CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

E. Custodial Credit Risk, Continued

CPERS' investments are held by its custodian separately from the custodian's assets in the name of the Retirement System, and would not be adversely affected if the custodian were placed in receivership. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form required by the Securities and Exchange Commission. CPERS had no custodial credit risk as of December 31, 2007 or December 31, 2006.

F. Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The standardized rating systems are a good tool with which to assess credit risk on debt obligations. CPERS requires that debt obligations be investment grade at time of purchase (BBB / Baa or higher as rated by Standard & Poor's and/or Moody's respectively). Securities that are later downgraded below investment grade are required to be liquidated unless the investment manager and the investment consultant deem it in the System's best interest to continue to hold the securities.

The following table can be used in determining CPERS' level of exposure to credit risk as of December 31, 2007 and December 31, 2006 for fixed-income securities held in trust at the custodian bank. The "not rated" designation is applicable to short term collateral.

S&P/Moody Rating	Fair Value @ 12/31/2007	2007 %	Fair Value @ 12/31/2006	2006 %
Government	$ 8,924,648	7.2	$ 27,658,460	19.2
Agency	71,042,243	57.5	59,966,185	41.5
AAA	25,046,911	20.3	40,398,263	28.0
AA	9,937,522	8.0	7,284,993	5.0
A	4,727,475	3.8	5,105,930	3.5
BBB	3,777,833	3.1	3,850,432	2.7
BB	112,274	0.1	120,823	0.1
B	--		--	
NR (not rated)	--		--	
Total	**$ 123,568,906**	**100.0%**	**$ 144,385,086**	**100.0%**

The table above does not include Core-Plus and Absolute Return fixed-income strategies managed in pooled accounts in which CPERS invested during 2007. For these contractual relationships, the Declaration of Trust documents take precedence over CPERS' investment policy, and CPERS' custodian bank does not have custody of the assets in these accounts. Assets in these two accounts collectively had a fair market value of $212,167,649 at December 31, 2007 and both carried an average quality rating of A+.

CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

G. Concentration of Credit Risk

Concentration of credit risk is defined as the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification. This form of risk arises when an entity has one or more concentrated investments in a single issuer. CPERS' *Total Plan Statement of Investment Policies and Objectives* limits the concentration in any one issuer to 7 percent of fair value. At December 31, 2007 and 2006 the System had exposure of less than 5 percent in any single investment issuer.

H. Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is applicable to debt investments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates for debt instruments.

The tables below reflect the Retirement System's domestic fixed-income investments and maturities in actively managed accounts at December 31, 2007 and December 31, 2006.

December 31, 2007 **Investment Maturities (in years)**

Investment Type	Fair Value	Less Than 1	1 - 5	5 – 10	> 10
US Treasuries	$ 8,912,341	$ --	$ 2,044,283	$ 1,022,507	$ 5,845,551
US Gov't Agencies	2,362,918	--	--	1,254,522	1,108,396
Mortgage Backed Sec.	90,080,004	15,504,540	1,007,954	2,616,543	70,950,967
Corp. Bonds/Notes	19,647,631	--	6,468,913	7,651,634	5,527,084
Asset Backed Sec.	2,566,012	--	1,644,397	614,514	307,101
Total	**$ 123,568,906**	**$ 15,504,540**	**$ 11,165,547**	**$ 13,159,720**	**$ 83,739,099**

December 31, 2006 **Investment Maturities (in years)**

Investment Type	Fair Value	Less Than 1	1 - 5	5 – 10	> 10
US Treasuries	$ 25,584,168	$ --	$ --	$ 136,613	$ 25,447,555
US Gov't Agencies	2,451,465	--	--	1,394,807	1,056,658
Mortgage Backed Sec.	80,630,381	16,678,108	601,049	1,778,109	61,573,115
Corp. Bonds/Notes	19,662,405	3,477,453	11,077,443	1,630,016	3,477,493
Asset Backed Sec.	16,056,667	--	13,840,071	2,034,053	182,543
Total	**$ 144,385,086**	**$ 20,155,561**	**$ 25,518,563**	**$ 6,973,598**	**$ 91,737,364**

The tables above do not include Core-Plus and Absolute Return fixed-income strategies managed in pooled accounts in which CPERS invested during 2007. For these contractual relationships, the Declaration of Trust documents take precedence over CPERS' investment policy, and CPERS' custodian bank does not have custody of the assets in these accounts. The fair value of CPERS' share of the Core-Plus account totaled $106,939,444 with an average duration of 4.51 years, while the Absolute Return account totaled $105,228,205 with an average duration of 3.02 years.

CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

I. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. CPERS' investment policy restricts equity investments to securities that are U.S. dollar denominated and are registered with the SEC. Although foreign exchange futures, forwards and swaps are permissible for those managers with non-US or global mandates, at December 31, 2007, CPERS had no investments allocated in foreign currencies in non-pooled accounts of either fixed-income or equity managers.

(4) SECURITIES LENDING PROGRAM

The System has authorized JPMorgan/Chase Bank to act as agent in lending the System's actively managed securities to approved broker-dealers (borrowers) through a Securities Lending Agreement for Non-ERISA Accounts. The terms of the agreement require the borrowers to deliver collateral against each loan for no less than a.) 102% of the market value of the loaned securities if the loaned securities were not foreign securities, b.) 105% of the market value of the loaned securities if the loaned securities were foreign securities, or c.) approved letters of credit.

The System did not impose any restrictions during 2007 and 2006 on the amount of loans that JPMorgan/Chase made on its behalf. Several investment manager terminations in 2007 substantially reduced the number of securities available to loan as compared to 2006. In the event of a failure or default on the part of a borrower, the agent contractually agrees to act in the best interest of the System in executing loan collateral on behalf of the System. During 2007 and 2006 no defaults occurred.

JPMorgan/Chase Bank managed cash collateral received on the securities loaned in a separate collateral account for the System. The income generated from the collateral is allocated among the bank, the borrower, and the System in accordance with the contract. The System also receives non-cash collateral including US treasuries, government sponsored enterprises and federal agencies, mortgage backed securities (MBS), corporate bonds, asset backed securities (ABS), money market instruments, municipal securities, and private label mortgage backed securities and collateralized mortgage obligations (CMO). However, the System does not have the ability to pledge or sell these non-cash securities; even in the event of default. Both the System and the borrowers maintain the right to terminate securities lending transactions. Therefore, the securities loaned did not generally match the duration of the investments made with cash collateral.

At December 31, 2007 and December 31, 2006, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts the borrowers owed the System. The collateral held on those dates respectively was valued at $4,195,800 and $33,666,215 and the market value of the securities on loan was $4,151,872 and $32,831,128 respectively. The cash portion of the collateral is reflected in the Statement of Plan Net Assets.

The table on the following page shows the December 31, 2007 and December 31, 2006 fair value of the securities loaned and the fair value of the collateral held, categorized by security type. Cash collateral consists of Equity Short-Term Securities and Government Short-Term Securities.

CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

(4) SECURITIES LENDING PROGRAM, CONTINUED

Security Type	Fair Value of Securities Loaned at 12/31/2007	Fair Value of Collateral Held at 12/31/2007	Fair Value of Securities Loaned at 12/31/2006	Fair Value of Collateral Held at 12/31/2006
Equity Short-Term Securities	$ 261,215	$ 265,005	$19,806,114	$20,366,286
Corporate Bond Short-Term Securities	--	--	904,727	924,787
Corporate Bond Tri-Party	--	--	--	--
Government Short-Term Securities	3,325,673	3,354,511	10,817,389	11,046,187
Government Letters of Credit	--	--	--	--
Government Tri-Party	564,984	576,284	1,302,898	1,328,955
Total	**$ 4,151,872**	**$ 4,195,800**	**$32,831,128**	**$33,666,215**

(5) CONTINGENCIES

The System is defendant to several lawsuits, and is subject to claims of various parties for which the outcome is uncertain. As of the date of these financial statements, these matters are not expected to have a material impact on the financial condition of the System.

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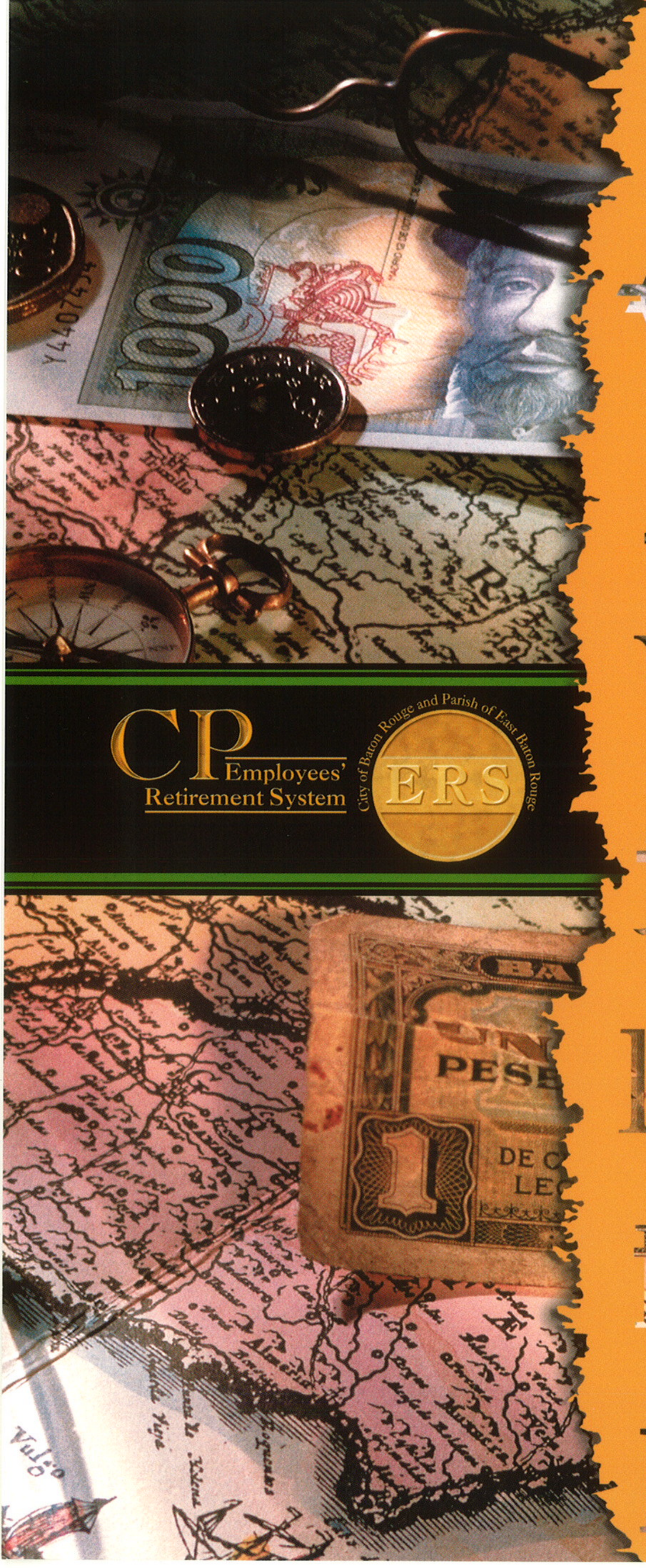


Required Supplementary Information

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB STATEMENT NO. 25

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/98	$ 740,257,038	$ 875,075,687	$ 134,818,649	84.6%	$ 118,742,991	113.5%
12/31/99*	$ 741,562,144	$ 809,012,654	$ 67,450,510	91.7%	$ 96,744,086	69.7%
12/31/00	$ 786,941,507	$ 855,994,379	$ 69,052,872	91.9%	$ 99,510,155	69.4%
12/31/01**	$ 813,977,773	$ 902,821,264	$ 88,843,491	90.2%	$ 102,793,456	86.4%
12/31/02	$ 818,150,788	$ 947,726,617	$ 129,575,829	86.3%	$ 101,339,785	127.9%
12/31/03	$ 847,227,425	$ 985,671,695	$ 138,444,270	86.0%	$ 106,240,559	130.3%
12/31/04**	$ 883,663,240	$1,057,269,629	$ 173,606,389	83.6%	$ 109,887,349	158.0%
12/31/05	$ 924,904,837	$1,111,081,729	$ 186,176,892	83.2%	$ 115,559,703	161.1%
12/31/06	$ 979,597,562	$1,163,175,147	$ 183,577,585	84.2%	$ 120,067,013	152.9%
12/31/07	$1,020,575,797	$1,206,648,213	$ 186,072,416	84.6%	$ 123,524,590	150.6%

*These results are adjusted to reflect the impact of the February 26, 2000 police transfers out to MPERS and the actuarial assumption changes adopted by the Retirement Board.

**These results reflect the impact of the change in Asset Valuation Method described in the Summary of Actuarial Assumptions and Methods

CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB STATEMENT NO. 25, CONTINUED

SCHEDULES OF EMPLOYER CONTRIBUTIONS

CPERS TRUST

Year Ended	Annual Required Contribution	Percentage Contributed
12/31/98	$ 17,967,514	107%
12/31/99	$ 15,658,856	130%
12/31/00*	$ 11,240,695	117%
12/31/01	$ 13,708,997	80%
12/31/02**	$ 16,110,422	74%
12/31/03	$18,479,710	76%
12/31/04**	$ 19,623,023	95%
12/31/05	$ 20,785,669	106%
12/31/06	$ 22,129,069	113%
12/31/07	$ 22,431,367	120%

*These results are adjusted to reflect the impact of the February 26, 2000 police transfers out to MPERS and the actuarial assumption changes adopted by the Retirement Board.

**These results reflect the impact of the change in Asset Valuation Method described in the Summary of Actuarial Assumptions and Methods

POLICE GUARANTEE TRUST

Year Ended	Annual Required Contribution	Percentage Contributed
12/31/00	$ 0	--%
12/31/01	$ 0	--%
12/31/02	$ 0	--%
12/31/03	$ 22,283	100%
12/31/04	$ 112,913	74%
12/31/05	$ 127,781	74%
12/31/06	$ 367,957	34%
12/31/07	$ 124,607	99%

Note: Police Guarantee Trust was fully funded at inception effective February 26, 2000.

CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB STATEMENT NO. 25, CONTINUED

NOTES TO THE SCHEDULES OF TREND INFORMATION

The information presented in the previous two schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuations is shown on this page and the following page.

CPERS TRUST

Valuation date	December 31, 2007
Valuation method	Entry Age Normal Actuarial Cost Method with Unfunded Actuarial Accrued Liability.
Amortization method	Level percentage of payroll, 30 year open amortization method using payroll growth of 2.5% per annum.
Remaining amortization period	30 years
Asset valuation method	Market value as of January 1, 1996. Beginning January 1, 1997, adjusted Market Value with 20% unrealized gains (losses) recognized each year. Beginning January 1, 2002, Expected Value Method, with 20% of investment gains or (losses) recognized each year.
Actuarial assumptions:	
Investment rate of return	7.75%* (1)
Projected salary increases	3.75%* plus longevity/merit (2)
Aggregate payroll growth	2.50% * (3)

* compounded annually and including inflation of 3.75%

(1) revised from 2003 assumption of 8.0%
(2) revised from 2003 assumption of 4.0%
(3) revised from 2003 assumption of 5.0%

CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB STATEMENT NO. 25, CONTINUED

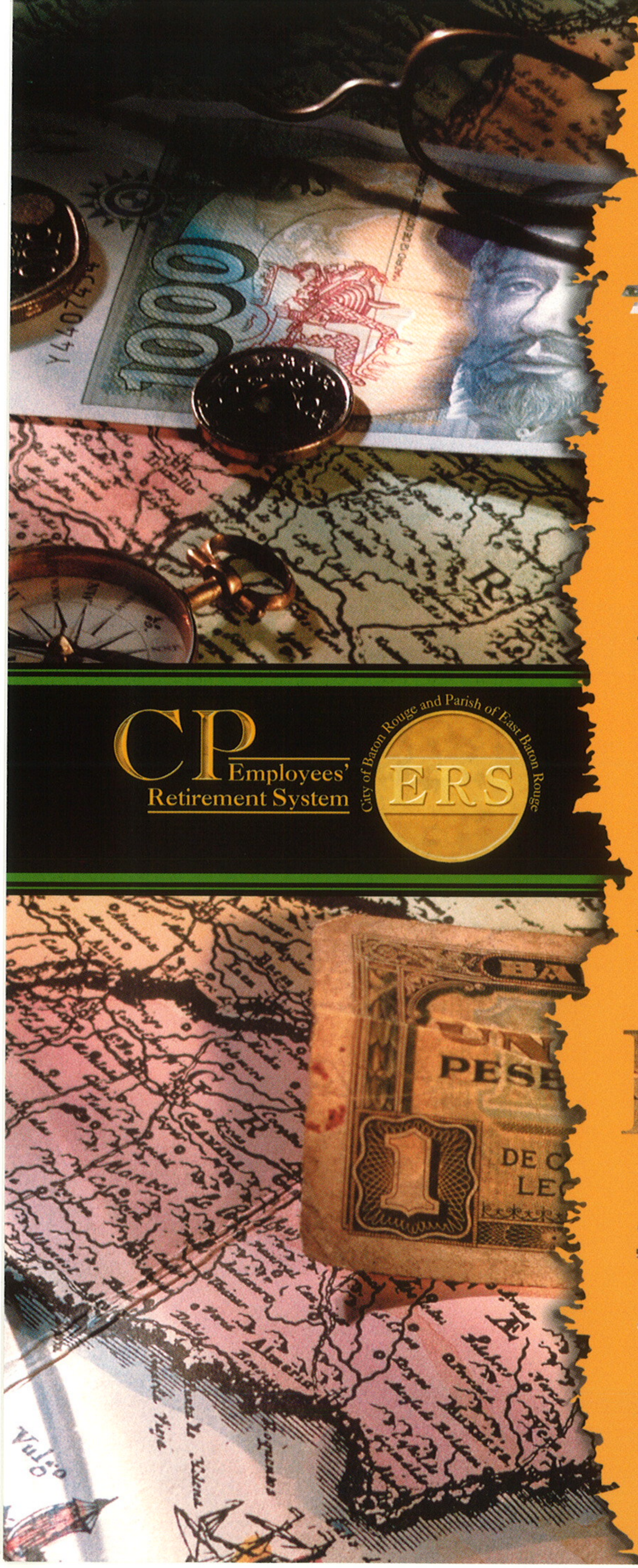
NOTES TO THE SCHEDULES OF TREND INFORMATION - CONTINUED

POLICE GUARANTEE TRUST

Valuation date	December 31, 2007
Valuation method	Aggregate Actuarial Cost Method (Does not identify or separately amortize unfunded actuarial liabilities)
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Market value as of January 1, 2000 and January 1, 2001. Beginning January 1, 2002, adjusted Market Value with 20% of unrealized gains or (losses) recognized each year.
Actuarial assumptions:	
Investment rate of return	7.75%* (1)
Projected salary increases	3.75%* plus longevity/merit (2)
Aggregate payroll growth	N/A

* compounded annually and including inflation of 3.75%

(1) revised from 2003 assumption of 8.0%
(2) revised from 2003 assumption of 4.0%



CPERS Employees' Retirement System
City of Baton Rouge and Parish of East Baton Rouge

Supporting Schedules

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	CPERS Trust	Police Guarantee Trust	2007 Combined Total	2006 Combined Total
Salaries:				
Salaries-regular	$ 456,879	$ 114,219	$ 571,098	$ 499,692
Other compensation-student labor	20,109	5,027	25,136	17,551
Other compensation-auto allowance	3,855	964	4,819	4,800
Related benefits	170,719	42,679	213,398	198,431
Total salaries	651,562	162,889	814,451	720,474
Travel and training expenses	16,603	4,151	20,754	9,303
Operating services:				
Dues and memberships	2,460	615	3,075	3,555
Utilities	11,865	2,966	14,831	14,645
Custodial and extermination	11,311	2,828	14,139	14,505
Printing and binding	12,048	1,726	13,774	16,126
Telephone	4,510	1,127	5,637	5,319
Postage	12,284	3,071	15,355	17,066
Insurance	9,593	2,398	11,991	11,897
Repairs and maintenance-buildings	8,831	2,208	11,039	10,260
Repairs and maintenance-office equipment	7,224	1,809	9,033	9,546
Total operating services	80,126	18,748	98,874	102,919
Supplies	10,489	2,628	13,117	12,007
Professional services:				
Accounting and auditing	14,859	3,715	18,574	14,500
Legal	84,800	11,200	96,000	103,095
Actuarial	44,934	12,995	57,929	127,883
Other professional	147,450	35,318	182,768	146,112
Total professional services	292,043	63,228	355,271	391,590
Depreciation expense	30,909	--	30,909	30,909
Capital outlay	--	--	--	24,507
Other expenses/(revenues)	(7,786)	--	(7,786)	(19,495)
Total administrative expenses	$ 1,073,946	$ 251,644	$ 1,325,590	$ 1,272,214

See accompanying independent auditors' report.

SCHEDULES OF INVESTMENT EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	CPERS Trust	Police Guarantee Trust	2007 Combined Total	2006 Combined Total
Fixed income:				
Fixed Income - Domestic	$ 296,869	$ 12,957	$ 309,826	$ 226,547
Fixed Income - International	--	--	--	--
Real Estate Investments	533,295	--	533,295	460,270
Total fixed income	830,164	12,957	843,121	686,817
Equity securities:				
Equities - Domestic	1,171,150	12,386	1,183,536	2,362,154
Equities - International	1,345,618	35,853	1,381,471	970,831
Total equity securities	2,516,768	48,239	2,565,007	3,332,985
Custodian fees	200,760	6,940	207,700	150,799
Advisor fees	112,000	28,000	140,000	140,000
Total investment expenses	$ 3,659,692	$ 96,136	$ 3,755,828	$ 4,310,601

See accompanying independent auditors’ report.

SCHEDULES OF PAYMENTS TO CONSULTANTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	CPERS Trust	Police Guarantee Trust	2007 Combined Total	2006 Combined Total
Accounting and Auditing	$ 14,859	$ 3,715	$ 18,574	$ 14,500
Auditors -				
Postlethwaite & Netterville				
Legal	84,800	11,200	96,000	103,095
Legal Counsel -				
Law Offices of Randy P. Zinna				
Actuarial	44,934	12,995	57,929	127,883
Actuary -				
Stanley, Holcombe & Associates, Inc.				
Other Professionals:	147,450	35,318	182,768	146,112
Medical Examiner -				
D. J. Scimeca, Jr., M.D.				
Computer Consultant -				
Relational Systems Consultants				
Graphics and Editorial Consultant -				
JoAnne McMullen				
Cost Allocation Consultant-				
MAXIMUS, Inc.				
Total	$ 292,043	$ 63,228	$ 355,271	$ 391,590

A schedule of brokerage commissions paid is shown on page 75.

See accompanying independent auditors' report.

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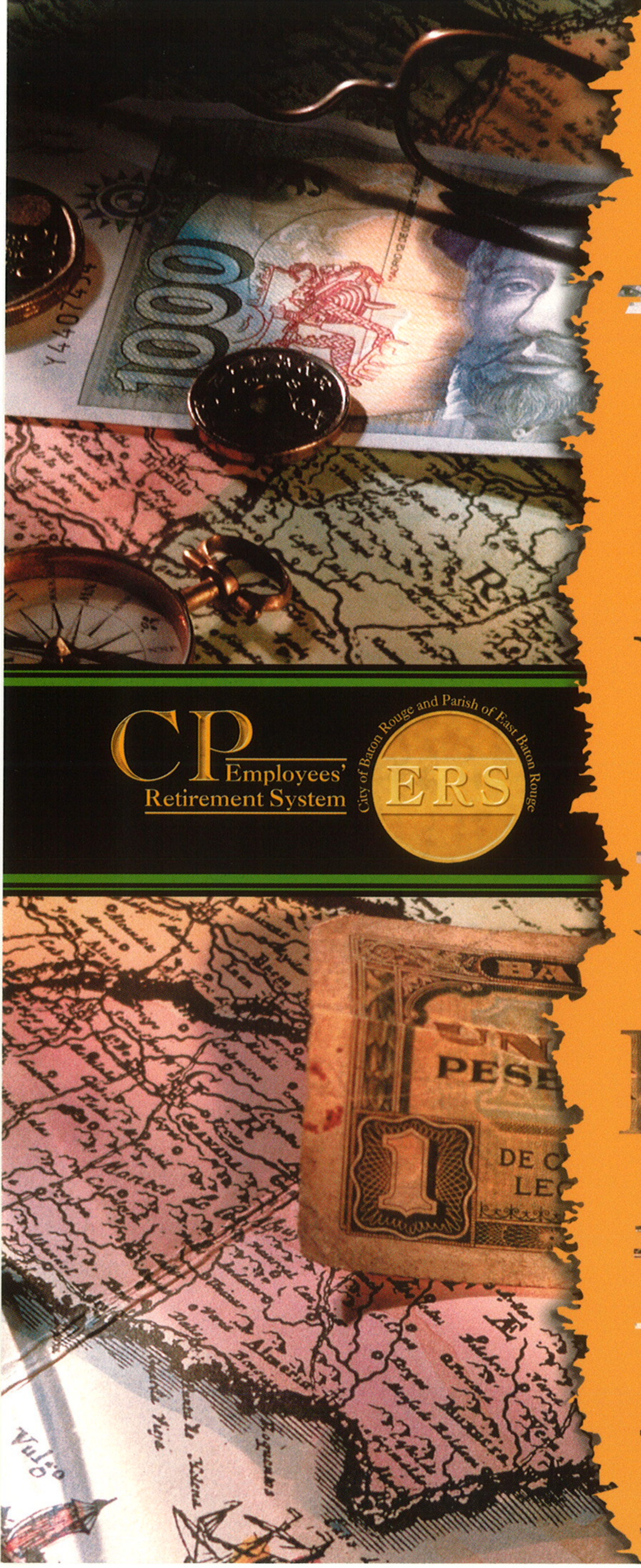


Investment Section

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

Summit Strategies Group

May 30, 2008

Board of Trustees
City of Baton Rouge and Parish of East Baton Rouge
Employees' Retirement System and Police Guarantee Trust
P.O. Box 1471
Baton Rouge, LA 70821

The first half of 2007 was great; the second, not so much. What began with the collapse of the subprime market in the 3rd quarter led to an across-the-board drubbing of the markets. The "contagion effect" of subprime led to a massive selloff in the stock market, and the bond markets essentially froze. Anything with credit risk or even remotely associated with mortgages or housing suffered mightily. At the end of the year, energy prices continued to climb, the dollar continued to slide, the war raged on, and talk of recession was louder and louder.

The year was not a complete disaster, however. The S&P 500 Index, a commonly used proxy for the larger stocks in the broad U.S. market, ended the year with a positive return of 5.5%. Small cap stocks, represented by the Russell 2000 Index, beat that with a return of -1.5%. In both relative and absolute terms, non-U.S. stocks were the place to be, as the MSCI EAFE Index posted a return of 11.6% for 2007, easily outpacing its domestic counterparts. The broad U.S. fixed income market as represented by the Lehman Brothers Aggregate Index generated a return of 7.0% for the calendar year.

On December 31, 2007, the CPERS portfolio had a market value of $1.03 billion. Assets in the Police Guarantee Trust totaled $28.6 million. For the 12-month period, CPERS returned 4.3% and for the trailing three years, the fund was up 9.5%. Over the last five years, the fund generated 12.7%, beating its policy index and ranking in the top third of the public fund peer group. Over these same 1- and 3-year periods, the Police Guarantee Trust earned returns 3.5% and 8.4%, respectively. For the five-year period, the PGT earned 12.1%. The two portfolios are invested similarly, but the funds' sizes dictate implementation differences, resulting in return dispersion between the two.

Working closely with the Board and Staff, we have developed a solid investment program that has served the System well in that time. We can all be proud of the results. There is, however, no such thing as auto-pilot, and continual evaluation of opportunities for improvement is a must for future success. We have always believed in portfolio diversification, now more so than ever, and will be working to improve on the solid foundation that we have laid together. On behalf of all of us at Summit Strategies Group, thank you for your continued trust and support.

Sincerely,

Mark A. Caplinger

Mark A. Caplinger, CFA
Senior Vice President

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES

Investment Goals and Objectives

This Statement of Investment Policy serves as the official communication regarding the investment practices of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge ("CPERS"). This document outlines the goals, objectives, responsibilities and restrictions so that there is a clear understanding of the policies of the Plan by the Board of Trustees, Investment Committee, Staff, Investment Managers, Investment Consultant, and Custodian. In addition, this document provides the Board a meaningful basis for the evaluation of the investment performance of the individual Investment Managers and the Plan as a whole, measuring each relative to a set of clearly defined investment objectives.

Based on general beliefs about the long-term investment returns available from a well-diversified and prudently invested portfolio, the Board has adopted a targeted total annualized return objective which, over time, meets or exceeds its assumed actuarial rate of return on assets. This total return objective will be periodically evaluated by the Board to determine whether it remains relevant given the then-prevailing capital market conditions and the System's financial position.

Asset Allocation

CPERS' Asset Allocation will be the primary tool used to achieve the total return objective. In order to achieve a specified rate of return for the Plan, the Board relies on prevailing financial theory at that point in time, which currently is an investment strategy utilizing an appropriate long-term diversified asset allocation model.

Based on its determination of an appropriate risk posture and its associated long-term return expectations, the Board has adopted the following Asset Allocation Policy for CPERS.

Asset Class	Minimum Allocation	Target Allocation	Maximum Allocation
Public Equities	60%	65%	70%
US Large		25%	
US Non-large		15%	
US & International		25%	
Public Fixed Income	30%	35%	40%
US & International		30%	
Public Real Estate		5%	

Rebalancing

In order to maintain its Asset Allocation strategy, a rebalancing program is necessary. Using the policy targets and bands stated in the previous section, a rebalancing event will be triggered whenever the aggregate equity, aggregate bond or real estate allocations exceed either their upper or lower band. At this point, the portfolio will be rebalanced across all asset classes to the target allocations to the extent possible without generating undue transactions costs.

Performance Evaluation and Review

It is necessary and appropriate to maintain a long-term perspective in evaluating the success of the System's investment program. However, shorter-term evaluations are also important. On a quarterly basis, the Committee will review actual investment results to ensure that the System's Asset Allocation is within policy ranges, and that the Investment Managers are maintaining their respective disciplines and meeting expectations.

The Total Fund performance will be measured relative to an appropriately weighted benchmark of relevant broad market indices, referred to as the Policy Index. Based on the current asset allocation mix and investment manager structure, the Policy Index in the following table will be utilized for performance measurement purposes.

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

Asset Class	Target Allocation	Index
Domestic Equity	40%	Russell 3000
International Equity	25%	MSCI EAFE
Fixed Income	30%	Lehman Aggregate
Real Estate	5%	NCREIF

While the Total Fund is measured against this Policy Index, individual Investment Managers will be measured against appropriate style indices, and also relative to an appropriate peer universe, as determined by the System's Investment Consultant. Based on the current Investment Manager structure of the System, the indices and peer groups in the following table will be used for performance measurement purposes.

Asset Class/Style	Index	Peer Universe
Equity		
Large Cap Core	Russell 1000	Large Cap Core
Small Cap Value/Growth	Russell 2000 Value/Growth	Small Cap Value/Growth
International Value/Growth	MSCI EAFE Value/Growth	International Equity Value/Growth
Emerging Markets	MSCI EAFE Emerging Markets	Emerging Markets
Fixed Income		
Core/Core Plus/Absolute Return	Lehman Aggregate/90 Day LIBOR + 200bp	Core/Core Plus/Absolute Return
Public Real Estate	NCREIF	Private Real Estate

It is recognized that asset classes and investment styles within asset classes go in and out of favor. Therefore, short-term examination of each manager's performance will focus on style adherence, duration, peer comparisons and style benchmarks. The long-term objective for each active investment manager is to add value, net of fees, to its specified broad market benchmark. For these purposes, long-term is defined as a full market cycle, generally thought to be a 3 to 5 year period.

Investment Manager Responsibilities and Communications

The Investment Managers are to manage the assets in accordance with the statutory requirements, policy guidelines and objectives expressed herein. No deviation is permitted unless the ability to do so is given in a separate written agreement. Investment Managers will communicate portfolio valuation and transaction listings on a quarterly basis to the Plan's Staff and Investment Consultant and at least annually report to the Investment Committee investment performance relative to the Fund's policy and objectives, including levels of income and capital appreciation and securities held.

Internal Cash Management Investment Guidelines

The daily cash balances of CPERS are invested in a Short Term Investment Fund (STIF) managed by the custodian bank. The STIF used must be reviewed by the Consultant for adherence to the Fund's risk/return profile and list of approved investments and pre-approved by the Board. It is understood that the STIF may be a commingled investment type and as such would be governed by terms delineated in a prospectus for the fund.

Permissible Investments

The Board recognizes that risk, volatility, and the possibility of loss in purchasing power are represented to some degree in all types of investment vehicles. While high levels of risk are to be avoided, as evidenced by high volatility and low quality rated securities, the Board recognizes that a prudent level of risk is necessary in order to allow the Plan the opportunity to achieve satisfactory long-term results consistent with its objectives.

The fund will be invested in a manner consistent with all applicable local and State laws. Investments may not be made in any investment that is prohibited by the Internal Revenue Service, the Department of Labor or statutory restrictions. CPERS' assets may be held in separate accounts, commingled funds or limited partnerships. If held in a commingled fund or limited partnership, the prospectus, Declaration of Trust, or offering document takes precedence over this document.

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

With the exception of Private Real Estate, all assets selected within any portfolio must have a readily attainable market value, and must be readily marketable. In order to provide the investment managers with flexibility to invest in various types of assets, the following list of assets are among those approved for investment.

Cash Equivalents:
U.S. Treasury Bills
Commercial Paper/Repurchase Agreements
Money Market Funds
Custodian STIF and STEP Funds

Currency Investments:
Foreign exchange futures, forwards and swaps (applies exclusively to those managers with non-US or global mandates, that may utilize these instruments for currency hedging purposes only)

Equities:
U.S. and Foreign Common Stocks
U.S. and Foreign Preferred Stocks (rated A or higher)
Convertible Securities, including Debentures
American Depository Receipts
144a Securities

Domestic Fixed Income:
U.S. Treasury and Agency Securities (Notes and Bonds)
U.S. Corporate Notes and Bonds
Trust Preferred Securities
Medium Term Notes
Yankee Bonds
Mortgage Backed Securities including Collateralized Mortgage
Obligations (CMOs) and Commercial Mortgage Backed Securities (CMBs)
Asset Backed Securities
144a Securities

Real Estate:
The system may from time to time invest in open- or closed-end commingled funds or limited partnerships that invest in real estate. These funds will in turn invest primarily in equity real estate investments. Leverage within these vehicles is permitted, to be consistent with the strategy and in accordance with the prospectus or offering documents of each vehicle. Other than such property as it may elect to purchase and occupy for use as administrative offices, CPERS will not invest directly in real estate as either an equity owner or lender.

<u>Restricted Investments</u>

Categories of investments that are not eligible for investment include, but are not limited to, the following:

- Futures and option transactions (except for those used for bona fide currency hedging purposes or as otherwise expressly permitted);
- Leverage is not permitted in any portfolio, with the exception of Private Equity Real Estate as provided for in its associated offering documents;
- Leveraged derivative securities, including but not limited to Mortgage IOs or POs, inverse floating rate notes, or structured notes are not permitted. Unleveraged floating rate securities are allowed but interest payments must be linked to indices within the portfolio's scope.
- Short sales or margin transactions;
- Investments in commodities or commodity contracts;
- Direct loans or extension lines of credit to any interested party;
- Letter stock;
- Unregistered securities and private placements (except those securities regulated by SEC Rule 144A or otherwise specifically permitted by the Board).

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

In the event that an investment manager desires to utilize any type of security or investment strategy not expressly permitted in this policy, it is the responsibility of the manager to request authorization from the Board in advance of so doing. Any losses in principal in a CPERS' portfolio as a result of a manager having to liquidate any non-approved investments that are purchased for the portfolio will be borne by the manager.

General Cash and Cash Equivalent Guidelines

As a long-term investor, CPERS expects its managers to avoid market timing decisions and to stay fully invested in their respective disciplines in order to maintain its asset allocation discipline. Cash may be held briefly following the sale of an existing security and purchase of a new security, cash should not comprise more than five (5) percent of the portfolio for more than 30 days without prior written approval of the Board. Additionally, fixed income managers are exempt from this requirement when cash is used in implementing a "barbell" strategy. For purposes of definition, cash equivalent securities are any fixed income investment with less than one year to maturity. These securities should have a minimum quality rating comparable to an A- bond rating and commercial paper shall be rated A1/P1 unless held in a diversified short-term commingled fund.

General Fixed Income Portfolio Guidelines

The portfolio will be invested exclusively in publicly traded fixed income securities, as described in "Permissible Investments" with an overall average credit quality at "AA" or higher. Securities are not allowed that use any form of leverage The weighted average credit quality calculation shall be performed using the lower of the ratings by Standard & Poor's, Fitch and/or Moody's.

Diversification

Fixed income securities of any one corporation shall be limited to 2.5% at cost of a portfolio and may not exceed 3% at market. This restriction also applies to asset-backed securities, non-agency mortgage-backed securities (including commercial mortgage-backed securities) and taxable municipals. The total holdings of an agency-issued mortgage-backed security of the same coupon and maturity series of the same agency shall not exceed 10% of the manager's portfolio at cost (agency-issued mortgage-backed securities to include GNMA's). The direct debt of the federal government (treasury bonds, bills and notes) shall not be restricted as a percentage of the manager's portfolio**.** Private placement bonds are not permitted. 144(a) fixed income securities are allowable, limited in total to 5% of the market value of a manager's portfolio. The effective duration of the fixed income portfolio(s) must remain within a range of 75% to 125% of the duration of the benchmark at all times.

Portfolio Quality

Fixed income securities shall not be rated less than Baa3 or its equivalent by a nationally-recognized rating agency (such as Standard & Poor's, Fitch, or Moody's) unless specific permission is granted to a manager. Individual issues rated AAA to AA- or its equivalent may have a 2.5% position at cost and 3% at market value. Individual issues rated below AA- or its equivalent may have a 1.5% position at cost or 2% at market value. Individual issues rated BBB or its equivalent by may have a 1% position at market value. Split-rated securities in which one rating is below investment grade shall not comprise more than 3% of the market value in total for AAA to AA- or its equivalent, 2% for issues rated below AA- to BBB+ or its equivalent and 1% for issues rated BBB or its equivalent of any manager's portfolio unless specific authority has been granted.

The ratings issue does not apply to direct obligations of the U.S. Government and its agencies. If specific managers are given international flexibility, the same quality restrictions apply. Emerging market securities not listed in the Lehman Aggregate are prohibited. Unless specific authority has been granted, in the event of a bond's downgrade below BBB- or its equivalent (excluding split-rate securities discussed above), the Board shall be notified in writing and the manager shall include a recommended course of action in response to the event in a manner it deems most prudent for the Fund in the long term.

Performance Objectives

Primary emphasis is to be placed on relative rates of return. Over a market cycle (usually 3-5 years), the following are the performance expectations for the portfolio.

- The total return of the fixed income composite should exceed after fees the return of the Lehman Brothers Aggregate Bond Index.

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

- Passive fixed income investment products are expected to approximate the return of the underlying index gross of fees.
- The total return of the fixed income segment of the fund should rank above median performance in a universe of managed fixed income portfolios.

General Real Estate Portfolio Guidelines

Core Equity Real Estate

The term “core” refers to a portfolio comprised of well leased-assets that utilizes relatively low leverage. Diversification is achieved on both a property type and geographic basis, and a majority of the total return is generated from income rather than capital appreciation. The term “equity” real estate refers to the direct ownership of tangible properties as compared to a mortgage loan. Though referred to as “equity”, with stable cash flows as the primary return component, low volatility, and low correlation to the other major asset classes it behaves substantially more like fixed income than equity. The portion of the fund invested in equity real estate shall be held in commingled fund(s) or limited partnerships. As such, the offering document, prospectus or Declaration of Trust governing the fund must supersede any document such as this Policy. The Board will employ real estate managers whose investment style, diversification targets and risk posture as described in their prospectus or Declaration of Trust shall closely approximate those of CPERS.

Performance Objectives

Primary emphasis is to be placed on relative rates of return. Over a market cycle (usually 3-5 years), the following are the performance expectations for the portfolio:

- The total return of the equity real estate composite should exceed after fees the return of the NCREIF Property Index.
- The total return of the equity real estate portion of the fund should rank above median performance in a universe of managed equity real estate portfolios.

General Equity Portfolio Guidelines

The portfolio will be invested exclusively in publicly traded equities, as described in “Permissible Investments”. Restricted or letter stock, etc., is not permitted. Securities are not allowed that use any form of leverage.

Diversification

The diversification of the equity securities held in the portfolio among sectors and issuers is the responsibility of the Investment Manager. No single company’s securities shall represent more than 5% of the cost basis or 7% of the market value of any manager’s portfolio.

Style Adherence

Quarterly, fundamental portfolio characteristics and style benchmark comparisons will be monitored for adherence to a manager’s identified style. Domestic equity managers are allowed to invest in dollar-denominated, SEC registered stock of foreign domiciled companies traded on the NYSE, AMEX or OTC markets. Concentration restrictions for these securities are the same as for any other security. International equity managers may invest in depository receipts as long as the underlying security is permissible within these guidelines and the investment does not expose the Fund to any greater risk than the risk from holding the underlying security. International equity managers may also invest in Emerging Markets securities, so long as the aggregate value of those securities do not exceed 10% of the market value of a manager’s portfolio.

Proxy Voting

Each Investment Manager is hereby authorized and empowered to vote proxies, said voting to be performed in good faith and for e exclusive benefit of CPERS’ participants and beneficiaries. Each Investment Manager shall keep accurate records as to the voting of proxies and shall provide information from such records to the Board upon request

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

Securities Lending

The Board may select an agent to lend the financial securities of the fund. Any income gained through the lending program will be deposited monthly in a specified account and invested in short-term instruments until allocated to the Investment Managers. The agent may lend any eligible securities, such as U.S. and non-U.S. equities, corporate bonds and U.S. and non-U.S. government securities. The agent will have full discretion over the selection of borrowers and will continually review credit worthiness of potential borrowers through adequate analysis of all material provided to them.

All loans shall be fully collateralized with cash, government securities or irrevocable bank letters of credit. Collateralization of such loans shall be 102% domestic/105% international of the market value of the loaned securities plus accrued income for U.S. and non-U.S. loans, respectively. These collateralization procedures should be marked-to-market daily.

The securities lending program shall in no way inhibit the trading activities of the Investment Managers of CPERS.

The securities lending agent has developed internal guidelines for the investment of cash collateral. The Board has reviewed these guidelines and incorporates them as the CPERS' Investment Policy on Securities Lending Cash Collateral. A copy of the agent's cash collateral Investment Policy shall be sent to the Fund at least annually or any time there is a material change made to the document.

CPERS Brokerage Policy

The Board, at its discretion, may identify a brokerage firm or firms to receive consideration from CPERS' managers when it is viewed to be in the best interest of the beneficiaries. This will be officially acted upon by the Board and communicated to all investment firms utilized by the Fund. With regard to transaction expense, each manager recognizes commissions as an asset of CPERS and accepts same fiduciary responsibility for managing commissions that exist for the management of all assets under their authority. The Board also recognizes that transaction expense includes both commissions and execution costs, and charges the manager with the optimization of both for the lowest possible transaction cost. The Board encourages the equity managers to manage the commission activity using all available trading mechanisms to maintain commission levels on listed trades of three (3) cents per share or less. The Staff shall report on commission levels annually, and a manager's failure to achieve these commission levels should be explained by that manager in writing to Staff. If at any time a manager believes compliance with this policy is adversely affecting its performance, said manager has the responsibility to immediately notify the Board of the concern(s).

Investment Compliance Issues Policy

It shall be the policy for the Consultant to review the Investment Managers' holdings, where possible, on a quarterly basis in order to determine compliance with the Retirement Board's Statement of Investment Policy. Any issues that arise will be discussed with the Manager and forwarded to the Staff and Investment Committee. If the Manager believes that the System's Investment Policy in regard to the issue in question is overly restrictive to its investment activities, the Manager may request relief in writing to the Investment Consultant, Staff and Investment Committee. To the extent possible, each issue will be resolved by the Investment Consultant, working in conjunction with the Staff, then the Investment Committee, and then the full Board.

Anti-Terrorism Investment Policy

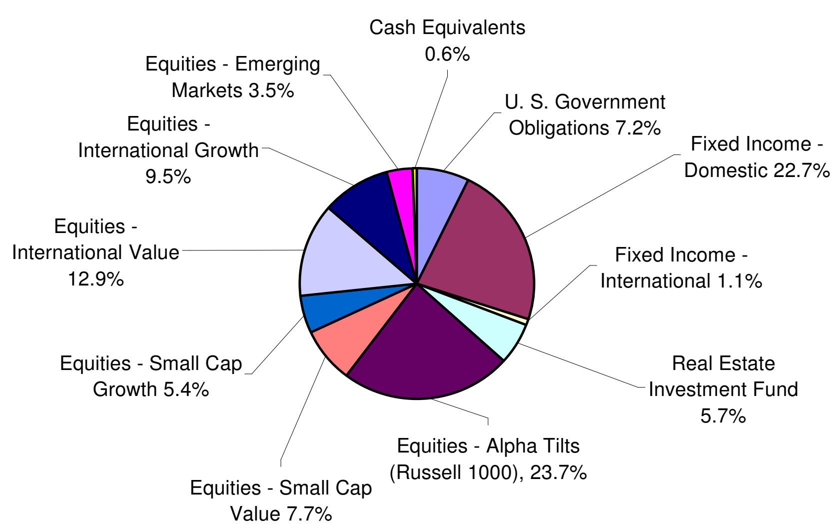
The Board recognizes that public pension funds have come under increased pressure from the general public to divest from companies that do business in countries that support terrorism. Unfortunately, a list of companies that are deemed to be supporting terrorism is not publicly available at this time and foreign policy, regulations and sanctions are complex and continually changing to address the needs of national security. Given the importance of this issue, the Board, in an effort to balance their fiduciary obligations to the members of the System with their responsibility as patriots has directed CPERS' Investment Staff to on an annual basis contact federal agencies to provide factual information regarding companies that are supporting terrorism. The results of these contacts will be forwarded to our investment managers for discussion and reported to the Board.

INVESTMENT SUMMARY
AS OF DECEMBER 31, 2007 AND 2006

CPERS TRUST

	December 31, 2007		December 31, 2006	
Type of Investment:	**Fair Value**	**% Total Fair Value**	**Fair Value**	**% Total Fair Value**
Fixed Income:				
U. S. Government Obligations	$ 75,423,708	7.2%	$ 75,305,435	7.2%
Fixed Income - Domestic	236,480,829	22.7%	185,224,240	17.8%
Fixed Income - International	10,984,883	1.1%	0	0.0%
Real Estate Investment Fund	59,468,521	5.7%	53,545,902	5.2%
Equities:				
Equities - Alpha Tilts (Russell 1000)	247,301,153	23.7%	260,931,424	25.1%
Equities - Small Cap Value	80,111,160	7.7%	N/A	0.0%
Equities - Small Cap Growth	56,861,855	5.4%	213,754,048	20.6%
Equities - International Value	135,128,136	12.9%	165,908,196	16.0%
Equities - International Growth	99,111,925	9.5%	N/A	0.0%
Equities - Emerging Markets	36,492,161	3.5%	N/A	0.0%
Cash Equivalents	6,459,561	0.6%	84,600,535	8.1%
Total Investments	$ 1,043,823,892	100.0%	$ 1,039,269,780	100.0%

CPERS ASSET ALLOCATION AS OF DECEMBER 31, 2007

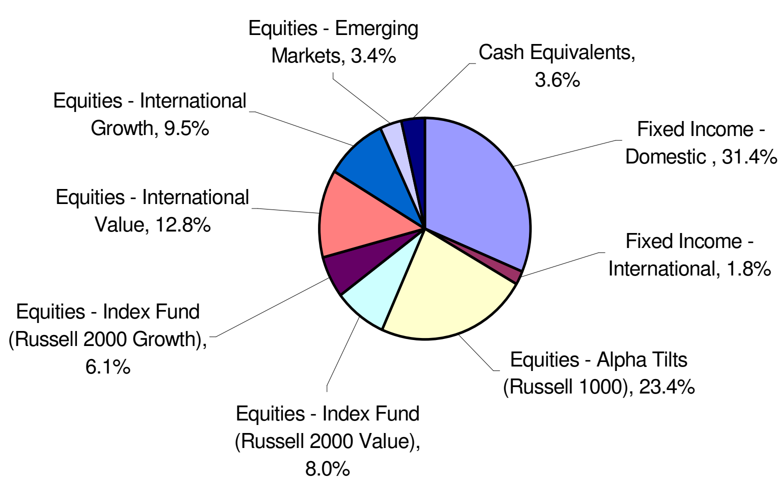


INVESTMENT SUMMARY
AS OF DECEMBER 31, 2007 AND 2006

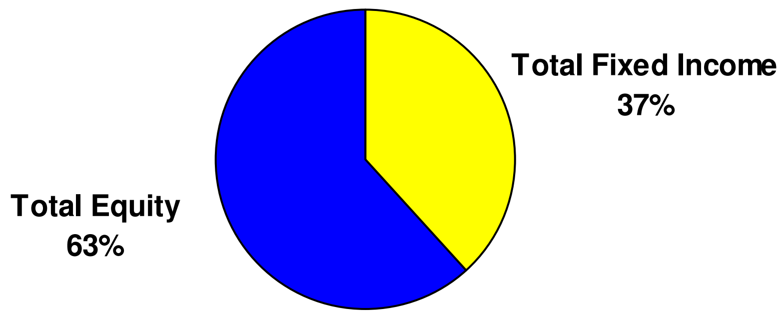
POLICE GUARANTEE TRUST

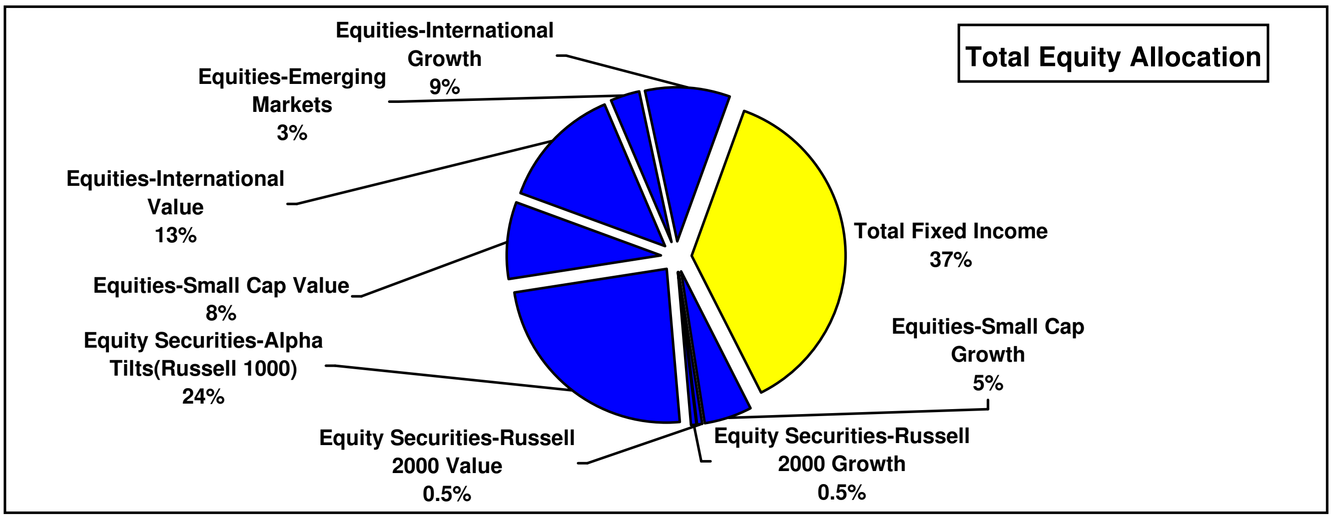
Type of Investment:	December 31, 2007 Fair Value	December 31, 2007 % Total Fair Value	December 31, 2006 Fair Value	December 31, 2006 % Total Fair Value
Fixed Income:				
Fixed Income - Domestic	$ 8,977,341	31.4%	$ 8,268,033	28.0%
Fixed Income - International	515,283	1.8%	N/A	0.0%
Equities:				
Equities - Alpha Tilts (Russell 1000)	6,694,160	23.4%	7,330,746	24.8%
Equities - Index Fund (Russell 2000 Value)	2,276,655	8.0%	4,253,738	14.4%
Equities - Index Fund (Russell 2000 Growth)	1,733,700	6.1%	1,725,710	5.9%
Equities - International Value	3,656,198	12.8%	4,794,977	16.2%
Equities - International Growth	2,707,711	9.5%	N/A	0.0%
Equities - Emerging Markets	976,739	3.4%	N/A	0.0%
Cash Equivalents	1,029,800	3.6%	3,161,231	10.7%
Total Investments	$28,567,587	100.0%	$29,534,435	100.0%

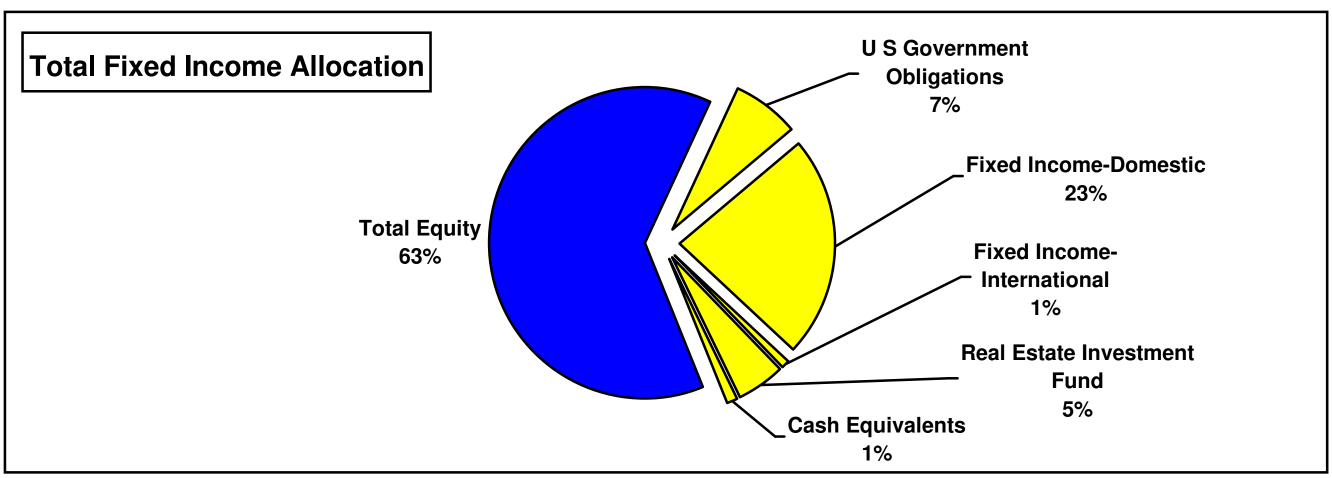
PGT ASSET ALLOCATION AS OF DECEMBER 31, 2007



ASSET ALLOCATION AS OF DECEMBER 31, 2007







CPERS LIST OF INVESTMENTS
AS OF DECEMBER 31, 2007

FIXED INCOME

LARGEST FIXED INCOME HOLDINGS BY FAIR VALUE – NON POOLED ACCOUNTS

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE
US GOVERNMENT OBLIGATIONS				
FNMA POOL #888283	5.000%	08/01/34	$ 6,637,728	$ 6,486,387
FNMA POOL #745515	5.000%	05/01/36	5,938,970	5,798,039
GNMA II GTD PASS THRU CTF	6.000%	01/22/08	5,300,000	5,405,173
FHLMC PARTN GOLD CTFS	6.000%	02/12/08	3,500,000	3,548,125
FNMA POOL #745428	5.500%	01/01/36	3,318,667	3,316,642
FNMA POOL #948639	6.500%	08/01/37	2,856,116	2,935,915
FNMA POOL #888481	5.500%	12/01/35	2,839,403	2,837,671
FNMA GTD PASS	5.500%	05/01/08	2,500,000	2,496,875
FNMA GTD	6.000%	03/15/08	2,100,000	2,132,151
US TREASURY NOTES	4.250%	09/30/12	1,975,000	2,044,283
OTHER US GOVERNMENT OBLIGATIONS			41,708,890	38,422,447
TOTAL US GOVERNMENT OBLIGATIONS			$ 78,674,774	$ 75,423,708

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE
DOMESTIC FIXED INCOME				
GENERAL ELEC CAP CORP MED TERM	5.000%	11/15/11	$ 1,565,000	$ 1,583,952
BANC AMER COML MTG INC 2002-2	5.110%	07/11/43	1,040,000	1,052,158
CWALT INC 2006-6CB MTG PASSTHRU CTF	5.500%	05/25/36	1,043,951	1,042,333
JP MORGAN CHASE & CO SR NT	5.375%	10/01/12	1,015,000	1,033,057
USAA AUTO OWNER TR 2005-4 ASSET	4.890%	08/15/12	880,000	883,819
ISRAEL ST GTD NT	5.500%	09/18/23	800,000	860,848
GE CAP COML MTG CORP 2002-3 COML MTG	4.996%	02/10/37	840,000	846,888
MORGAN STANLEY CAP I TR 2007-IQ15	5.880%	06/11/49	775,000	807,248
CREDIT SUISSE FIRST BOSTON MTG SECS	5.603%	07/15/35	780,000	802,690
MORGAN JP COML MTG FIN CORP MTG	7.612%	09/15/29	730,000	787,867
OTHER FIXED INCOME HOLDINGS – DOMESTIC			34,927,347	35,089,827
TOTAL DOMESTIC FIXED INCOME			$ 44,396,298	$ 44,790,687

DOMESTIC FIXED INCOME – POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
DOMESTIC FIXED INCOME – ABSOLUTE RETURN	7,655,447	$ 92,584,985
DOMESTIC FIXED INCOME – CORE PLUS	8,279,462	99,105,157
TOTAL DOMESTIC FIXED INCOME – POOLED ACCOUNTS	15,934,909	$191,690,142

A complete list of portfolio holdings is available upon request.

CPERS LIST OF INVESTMENTS (CONTINUED)

INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
INTERNATIONAL FIXED INCOME – ABSOLUTE RETURN	654,852	$ 7,919,775
INTERNATIONAL FIXED INCOME – CORE PLUS	256,066	3,065,108
TOTAL INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS	910,918	$ 10,984,883

REAL ESTATE INVESTMENTS

DESCRIPTION	UNITS	FAIR VALUE
ING CLARION PROPERTIES FUND	39,082	$ 59,468,521

EQUITIES

LARGEST DOMESTIC EQUITY SECURITIES BY FAIR VALUE – NON POOLED ACCOUNTS

DESCRIPTION	SHARES	FAIR VALUE
PEDIATRIX MED GROUP	25,490	$ 1,737,144
GLOBAL PMTS INC	28,940	1,346,289
MICROSEMI CORP	52,535	1,163,125
UNITED NAT FOODS INC	35,305	1,119,875
PHILADELPHIA CONS HLDG CORP	28,380	1,116,753
MICROS SYS INC	15,825	1,110,282
PSS WORLD MED INC	55,915	1,094,257
EXTERRAN HLDGS INC	12,895	1,054,811
BALLY TECHNOLOGIES INC	20,720	1,030,198
HERBALIFE LTD	25,545	1,028,953
OTHER EQUITY SECURITIES – DOMESTIC	1,799,372	45,060,168
TOTAL DOMESTIC EQUITY SECURITIES	2,100,922	$ 56,861,855

EQUITIES – DOMESTIC POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
DFA SMALL CAP VALUE FUND	72,938	$ 80,111,160
RUSSELL 1000 ALPHA TILTS	2,980,838	247,301,153
TOTAL EQUITIES – DOMESTIC POOLED ACCOUNTS	3,053,776	$327,412,313

A complete list of portfolio holdings is available upon request.

CPERS LIST OF INVESTMENTS (CONTINUED)

EQUITIES – INTERNATIONAL POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
SPRUCEGROVE INTERNATIONAL VALUE EQUITY FUND	2,616,080	$ 135,128,136
NEW STAR INTERNATIONAL GROWTH EQUITY FUND	2,053,101	99,111,925
DFA EMERGING MARKETS FUND	798,525	36,492,161
TOTAL EQUITIES – INTERNATIONAL POOLED ACCOUNTS	5,467,706	$ 270,732,222

CASH EQUIVALENTS

DESCRIPTION	FAIR VALUE
JPMORGAN US GOVT MONEY MARKET FUND PREMIER SHARES	$ 6,459,561

TOTAL CPERS INVESTMENTS	$1,043,823,892

PGT LIST OF INVESTMENTS
AS OF DECEMBER 31, 2007

FIXED INCOME

DOMESTIC FIXED INCOME – POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
DOMESTIC FIXED INCOME – ABSOLUTE RETURN	359,785	$ 4,351,238
DOMESTIC FIXED INCOME – CORE PLUS	422,416	4,626,103
TOTAL DOMESTIC FIXED INCOME – POOLED ACCOUNTS	782,201	$ 8,977,341

INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
INTERNATIONAL FIXED INCOME – ABSOLUTE RETURN	30,776	$ 372,207
INTERNATIONAL FIXED INCOME – CORE PLUS	13,064	143,076
TOTAL INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS	43,840	$ 515,283

EQUITIES

EQUITIES – DOMESTIC POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
RUSSELL 1000 ALPHA TILTS	80,688	$ 6,694,160
RUSSELL 2000 VALUE INDEX PLUS FUND	84,585	2,276,655
RUSSELL 2000 GROWTH INDEX PLUS FUND	94,427	1,733,700
TOTAL EQUITIES – DOMESTIC POOLED ACCOUNTS	259,700	$ 10,704,515

EQUITIES – INTERNATIONAL POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
SPRUCEGROVE INTERNATIONAL VALUE EQUITY FUND	70,784	$ 3,656,198
NEW STAR INTERNATIONAL GROWTH EQUITY FUND	56,090	2,707,711
DFA EMERGING MARKETS FUND	21,954	$ 976,739
TOTAL EQUITIES – INTERNATIONAL POOLED ACCOUNTS	148,828	$ 7,340,648

CASH EQUIVALENTS

DESCRIPTION	FAIR VALUE
JPMORGAN US GOVT MONEY MARKET FUND PREMIER SHARES	$ 1,029,800
TOTAL PGT INVESTMENTS	$ 28,567,587

A complete list of portfolio holdings is available upon request.

INVESTMENT PERFORMANCE MEASUREMENTS

	Rate of Return	Rank*
Comparative Rates of Return on Total Fund – Year Ended December 31, 2007		
City-Parish Employees' Retirement System	4.3%	98
Police Guarantee Trust	3.5%	100
Median Total Fund	8.4%	50
Allocation Index **	4.5%	96
Comparative Rates of Return on Domestic Equities – Year Ended December 31, 2007		
City-Parish Employees' Retirement System	(2.2%)	95
Police Guarantee Trust	(1.3%)	93
Median Domestic Equity Composite	5.4%	50
Russell 3000	5.1%	55
Comparative Rates of Return on International Equities – Year Ended December 31, 2007		
City-Parish Employees' Retirement System	10.5%	77
Police Guarantee Trust	9.9%	79
Median International Equity Composite	12.9%	50
EAFE	11.2%	68
Comparative Rates of Return on Fixed Income Securities – Year Ended December 31, 2007		
City-Parish Employees' Retirement System	4.2%	94
Police Guarantee Trust	3.8%	98
Median Bond Composite	6.7%	50
Lehman Brothers Aggregate Bond Index	7.0%	40
Comparative Rates of Return on Real Estate – Year Ended December 31, 2007		
City-Parish Employees' Retirement System	17.2%	28
Police Guarantee Trust	N/A	N/A
Median Real Estate Fund	13.9%	50
NCREIF Property Index	15.8%	50

The total performance as compared to public funds in the Independent Consultants' Cooperative Universe (ICC), as reported by Summit Strategies Group, Investment Consultant for City-Parish Employees' Retirement System, is as follows:

One-year period ending December 31, 2007	4.3%	98
Two-year period ending December 31, 2007	9.1%	77
Three-year period ending December 31, 2007	9.5%	50
Four-year period ending December 31, 2007	9.4%	66
Five-year period ending December 31, 2007	12.7%	37

* Rank indicates CPERS' relative investment performance in relation to other total funds in the Independent Consultant's Cooperative Universe of funds.

** The Allocation Index indicates the return that would have been produced if the same percentage of assets on a quarterly basis was invested in the appropriate market indices.

ANNUAL RATES OF RETURN

	2003	2004	2005	2006	2007	ANNUALIZED 3 YRS.	ANNUALIZED 5 YRS.
TOTAL FUND							
City-Parish Emp. Retirement System	24.0%	11.8%	9.2%	15.2%	4.3%	9.5%	12.7%
Police Guarantee Trust	23.6%	12.7%	7.0%	15.2%	4.5%	8.1%	11.9%
Median Total Fund	21.9%	11.1%	7.1%	12.8%	8.4%	9.5%	12.2%
Inflation (CPI)	1.8%	3.3%	3.4%	2.6%	2.9%	3.0%	2.8%
DOMESTIC EQUITY							
City-Parish Emp. Retirement System	34.4%	13.9%	10.3%	16.4%	(2.2%)	7.9%	13.9%
Police Guarantee Trust	34.3%	15.5%	7.4%	17.8%	5.1%	8.9%	13.6%
Median Domestic Equity Fund	32.3%	13.6%	7.6%	14.7%	5.4%	8.7%	13.8%
Russell 3000	31.1%	11.9%	6.1%	15.7%	5.1%	8.9%	13.6%
INTERNATIONAL EQUITY							
City-Parish Emp. Retirement System	35.8%	20.2%	16.3%	27.5%	10.5%	17.9%	21.8%
Police Guarantee Trust	35.9%	20.2%	15.9%	20.9%	10.4%	17.9%	21.7%
Median International Equity Fund	34.8%	20.5%	16.3%	26.3%	12.9%	18.0%	22.1%
EAFE	39.2%	20.7%	14.0%	26.9%	11.2%	16.8%	21.6%
FIXED INCOME							
City-Parish Emp. Retirement System	4.7%	4.5%	2.6%	4.3%	4.2%	3.7%	4.1%
Police Guarantee Trust	4.1%	4.3%	2.4%	4.3%	3.8%	3.5%	3.8%
Median Bond Fund	5.1%	5.0%	2.7%	4.7%	6.7%	4.7%	4.7%
Lehman Brothers Aggregate Index	4.1%	4.3%	2.4%	4.3%	7.0%	4.6%	4.4%
REAL ESTATE							
City-Parish Emp. Retirement System	N/A	N/A	N/A	15.0%	17.2%	N/A	N/A
Police Guarantee Trust	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Median Real Estate Fund	N/A	N/A	N/A	16.1%	13.9%	N/A	N/A
NCREIF Property Index	N/A	N/A	N/A	16.6%	15.8%	N/A	N/A

Note: These calculations were prepared using a time-weighted rate of return based on market values at December 31st of the year indicated.

SCHEDULE OF COMMISSIONS PAID TO BROKERS
FOR THE YEAR ENDED DECEMBER 31, 2007

		Commission	
Brokerage Firm	**Shares Traded**	**Dollar Amount**	**Per Share**
Bear Stearns & Co. Inc.	13,345,676	$ 94,340	$0.0071
Cantor Fitzgerald & Co., New York	922,368	31,681	0.0343
Liquidnet Inc.	1,577,227	31,545	0.0200
Investment Technology Group	1,033,328	15,865	0.0154
CIBC World Markets Corp	366,671	14,785	0.0403
Jefferies & Co., Inc.	341,279	11,789	0.0345
B-Trade Services LLC	704,133	10,790	0.0153
Goldman Sachs Exct & Clear L.P	713,349	10,629	0.0149
CSFB Inc., New York	239,585	9,372	0.0391
Credit Suisse Securities (USA)	293,854	8,774	0.0299
U.S. Bancorp Piper Jaffray	188,800	7,910	0.0419
Weeden & Co.	188,217	7,370	0.0392
Pacific Crest Securities	174,915	7,245	0.0414
Jones Trading Institutional SE	239,070	6,987	0.0292
Raymond James & Associates Inc.	167,400	6,973	0.0417
Craig-Hallum	173,295	6,932	0.0400
Wedbush Morgan Securities, Inc.	159,170	6,696	0.0421
Morgan Stanley & Co., Inc.	162,670	6,590	0.0405
Adams, Harkness & Hill, Inc.	154,880	6,220	0.0402
Robert W. Baird & Co.	148,880	6,156	0.0413
First Union Capital Markets	152,400	6,096	0.0400
Cowen & Co., LLC	149,970	5,999	0.0400
Friedman Billings & Ramsey	146,345	5,854	0.0400
Lehman Brothers Inc.	122,210	5,553	0.0454
Banc/America Secur,LLC,Montgom	132,850	5,493	0.0413
Merriman Curhan Ford & Co.	134,315	5,104	0.0380
William Blair & Co.	122,080	5,099	0.0418
Stephens Inc.	106,190	4,392	0.0414
Direct Brokerage Inc.	108,465	4,339	0.0400
Bear Stearns & Co, New York	139,689	4,326	0.0310
UBS Warburg LLC., New York	127,615	4,315	0.0338
Stifel, Nicolaus & Co., Inc.	104,600	4,184	0.0400
J.P. Morgan Securities Inc.	143,210	4,114	0.0287
Knight Securities Broadcort	139,285	4,071	0.0292
Deutsche Banc Securities Inc.	111,170	4,024	0.0362
Buckingham Research, New York	98,051	3,922	0.0400
Keefe Bruyette And Woods, Inc.	97,250	3,890	0.0400
Needham & Company	92,170	3,739	0.0406
First Analysis Securities Corp	95,810	3,660	0.0382
Other (66 Firms) *	2,379,009	83,416	0.0351
Total	25,997,451	$480,239	$0.0185

* Firms that had less than $3,500 commissions paid.

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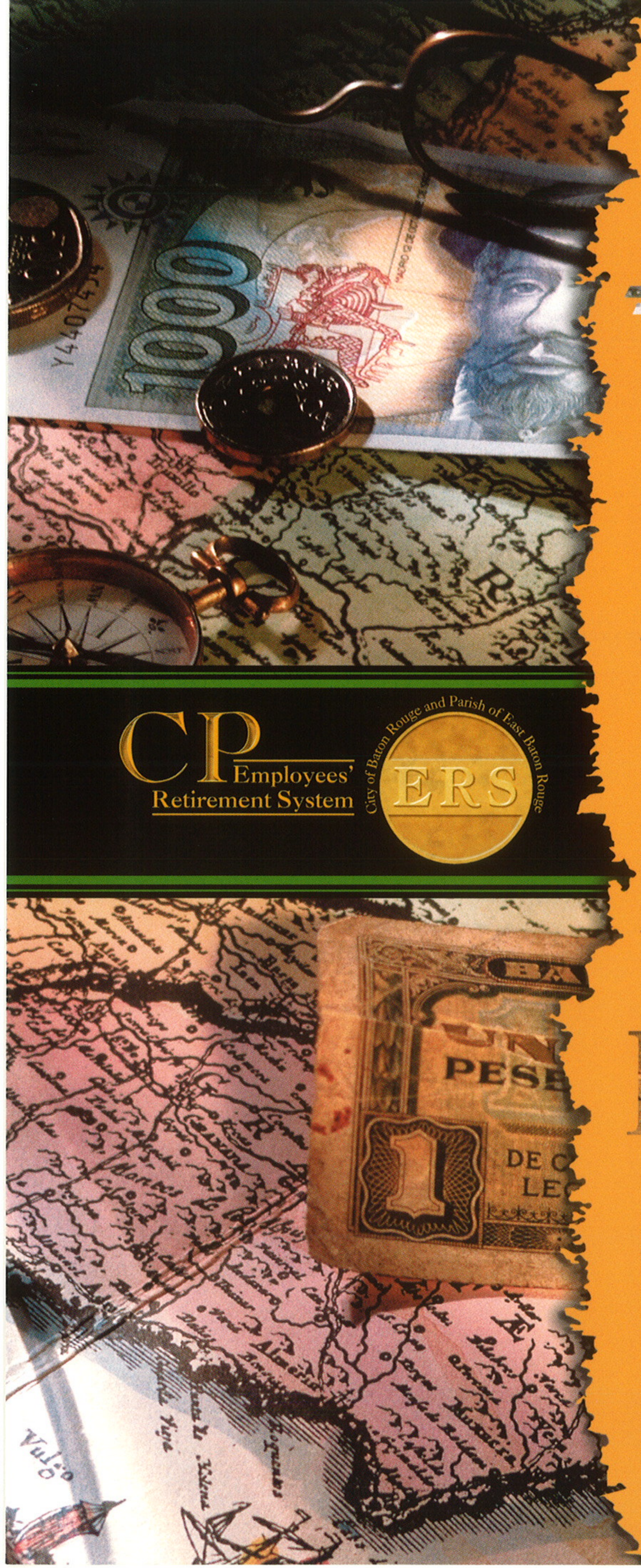

Actuarial Section CPERS Trust

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

Stanley,
Holcombe
& Associates, Inc.

June 23, 2008

Board of Trustees
Employees' Retirement System
City of Baton Rouge and Parish of East Baton Rouge
209 St. Ferdinand Street
Post Office Box 1471
Baton Rouge, Louisiana 70821

Dear Board Members:

As requested, we have completed our annual valuation of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge as of January 1, 2008. The valuation was prepared on the basis of the data submitted by the Retirement System office and the actuarial assumptions adopted by the Board of Trustees, and reflects the benefits in effect on the valuation date.

The funding objective of the Retirement system was established as follows:

a) fully fund all current normal costs determined in accordance with the prescribed funding method; and

b) liquidate the unfunded liability as of January 1, 1995 over a thirty-year period with subsequent changes in unfunded liabilities amortized over thirty years. Note that prior to the January 1, 2001 valuation subsequent changes in unfunded liabilities were amortized over the remaining portion of the original thirty years. This change in amortization was applied to all changes in unfunded liabilities since January 1, 1995. Effective with the January 1, 2004 valuation, this change in amortization was reversed. All changes in unfunded liability are amortized over the remainder of the 30-year period that started on January 1, 1995. Effective with the January 1, 2005 valuation, the amortization approach was changed to use a level percentage of payroll 30-year open amortization method.

Effective with the 2000 year, the Board decided to introduce a one-year delay from the valuation date to the year for which the contribution rate calculated in the valuation is applied. Thus the contribution rate calculated in the 2008 valuation will apply to the year 2009. The 2007 valuation was the basis for the 2008 contribution rate.

The City contribution rate for the 2008 year is set to 18.68%. This reflects a 0.47% decrease from the 2007 rate.

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Based on our recommendation, the Board of Trustees approved a change in the method of determining the actuarial value of assets, effective with the January 1, 2002 valuation. Under this method, 20% of the difference between the expected asset value and market value is recognized each year. The resulting actuarial value of assets as of December 31, 2007 is $1,020,575,797.

In performing the January 1, 2008 valuation, we have relied upon the employee data and financial information provided by the administrative staff of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge. Regarding participant data, each record was edited for reasonableness and consistency, although the validity of the information was not compared to source documents. Regarding plan assets, a general review for consistency and balance testing with information furnished for the prior year's valuation was performed.

The present values shown in the January 1, 2007 and January 1, 2008 actuarial valuation and supporting schedules of this certification have been prepared in accordance with the actuarial methods and assumptions approved by the Board: they are appropriate for the purposes of this valuation. The actuarial assumptions remained unchanged from last year for the January 1, 2008 valuation. At January 1, 2008 the actuarial cost method and actuarial asset value method remained unchanged. The amortization approach remained unchanged for the January 1, 2008 valuation. The actuarial asset valuation method was changed as of January 1, 2002, to the method outlined above. The funding method used is the Entry Age Normal Cost Method. The actuarial assumptions and methods used for funding purposes comply with and are within the parameters set forth by the Government Accounting Standards Board (GASB) Statement No. 25. For 2004 the amortization approach is within the parameters of GASB 25/27. The amortization approach adopted with the January 1, 2005 valuation is within the parameters of GASB 25/27.

Additional information is provided in the Summary of Actuarial Assumptions and Methods. The same actuarial assumptions and methods were employed in the development of the schedules which we prepared for the Actuarial Section of this report. Furthermore, we certify to the best of our knowledge, the methods and assumptions comply with generally recognized and accepted actuarial principles and practices set forth by the American Academy of Actuaries, are reasonable in the aggregate and when applied in combination represents our best estimate of the funding requirement to achieve the Retirement System's funding Objective.

Our firm prepared a number of schedules which are included in the Retirement System's 2007 Comprehensive Annual Financial Report - specifically the Summary of Principal System Provisions, Summary of Actuarial Assumptions and Methods, Accrued Liability Analysis for 2007 and 2006, Annual Amortization of UAAL, Determination of UAAL, Reconciliation of UAAL, Summary of Actuarial Accrued Liabilities and Percentage covered by Actuarial Value of Assets / Solvency Test, Analysis of Financial Experience, Employer Contribution Calculation Results for 2007 and 2006, Active Membership Data, Schedule of Retirees and Beneficiaries Added, and Total Membership Data. In addition, we prepared the Required Supplementary Information under GASB Statement No. 25, which includes the Schedule of Funding Progress, the Schedule of Employer Contributions, and the Notes to the Schedules of Trend Information.

Sincerely,

Randall L. Stanley

Frans Christ

Randall L. Stanley, F.S.A., M.A.A.A., E.A.
Consulting Actuary and Principal

Frans Christ, F.S.A, M.A.A.A., E.A.
Vice President and Consulting Actuary

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BROUGE34B

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS
(Source: 2008 Actuarial Report)
(Based on Ordinance Nos. 235 and 276)

Effective Date: (1:250, 1:258)	December 31, 1953, as restated effective April 1, 1997 (Ordinance No. 10779). Amended effective January 1, 1998, (Ordinance No. 11019 and 11020). Amended effective February 23, 2000, August 26, 2000 and December 31, 2001 (Ordinance 11827) and July 1, 2002 (Ordinance 12323).
Fiscal Year	Calendar year.
Membership: (1:259, 1:266)	Any regular employee of the City-Parish, excluding Police employees who elected to transfer into the Municipal Police Employees' Retirement System (MPERS) as of February 26, 2000 and Police employees hired after that date. Part-time council members with service prior to January 1, 1997, retroactive to December 31, 1976.
Contributions:	Members: 8% of compensation (1:264 A1(a)). Effective January 1, 2002, member contribution is equal to Maximum Employer Contribution, if less than 8% (1:264 A1 (c)). If the Maximum Employer Contribution rate is 17% or greater, the members' contribution rate will be 50% of the Employer Contribution rate, but not more than 9.5% (1:264 A(b)). The Maximum Employer Contribution rate is the larger of the City rate and the Special Funds rate. Employer Contribution: Balance, actuarially determined (1:253N). Maximum Employer Contribution: Employer Contribution plus adjusting percentages for pro-rata allocation of obligations for transfer of members to plans maintained by the State or a political subdivision thereof (1:251). MERS payments received for 2006 and later are reserved for future Supplemental Benefit Payments.
Creditable Service:	Service credited under Retirement System; military service (maximum of three years); additional military service as required under USERRA for which member contributions are received.
Final Average Compensation:	Average compensation during the highest 36 successive months of Creditable Service.
Service Retirement Eligibility: (1:265A)	(1) Full retirement: 25 years of service, regardless of age. (2) Minimum eligibility: Age 55 with 10 years of service, or 20 years of service, regardless of age.
Service Retirement Benefits: (1:265A-1, 1:265A-3)	Full Retirement: 3.0% of Final Compensation for each year of Creditable Service. Minimum Eligibility: 2.5% of Final Average Compensation for each year of Creditable Service. Maximum of 90% of Final Average Compensation.
Early Service Retirement: (1:265A-2)	If not eligible for full retirement: Benefits are reduced by 3% per year for each year under age 55.

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS (CONTINUED)

Disability: (1:265D)	Ordinary Disability: After 10 or more years of Creditable Service, 2.5% of Final Average Compensation times Creditable Service, with a minimum benefit of 50% of Final Average Compensation. Service-Connected: 50% of Final Average Compensation, plus 1.5% of Final Average Compensation times Creditable Service in excess of 10 years, with a maximum benefit of 90% of Final Average Compensation. Benefits are offset by Workers' Compensation (1:264F). Ordinary disability benefits are paid on a life annuity basis; service-connected disabilities are paid on a 50% Joint & Survivor basis.
Survivor Benefits: (1:270)	(1) If Member eligible for retirement, or at least twenty (20) years of Creditable Service, surviving spouse may elect Option 2 benefits (including 100% Joint & Survivor actuarially equivalent to 50% Joint & Survivor, without reduction for early commencement) or a refund of the Member's contributions. (2) If not eligible for retirement, surviving spouse may elect a monthly benefit of $600 payable until remarriage, or a refund of the Member's contributions. (3) If eligible children under age 18, monthly benefit of $150 per child (maximum $300), payable until age 18. These benefits are in addition to any benefits payable under (1) or (2). (4) If member died prior to May 24, 1989, monthly benefit to surviving spouse of $600. (July 1, 2002) (5) If no benefits are payable under (1), (2) or (3), $150 monthly benefit to unmarried dependent parent until death or remarriage.
Employment Termination: (1:267, 1:268)	After 10 years of Creditable Service, based on Creditable Service and Final Average Compensation at termination date. Benefits are deferred to age 55. If Member contributions are withdrawn, benefit is forfeited.
Optional Allowances: (1:264C)	Normal form is joint and 50% contingent survivor. For members entitled to Service Retirement Benefits, actuarially equivalent to regular retirement allowance: Option 1: Refund of excess of Member's contributions over aggregate benefits paid; Option 2: 100% Joint & Survivor to designated contingent annuitant; Option 3: Any other form approved by the Board.
Retirement Benefit Adjustments: (1:269)	For members who retired on or before December 31, 1989, or surviving spouses of such members, who did not enter DROP, an annual payment of $600 effective July 1, 1992 plus $30 for each full year retired.
Supplemental Benefit Payments: (1:269)	To be funded from (i) 1/10 of the first 2%, and 1/20 of the remainder, of excess return on the actuarial value of assets, provided the aggregate experience from all sources is an actuarial gain; and (ii) decreases in Retirement Benefit Adjustment payments under 1:269 since July, 2002; and (iii) MERS payments received for 2006 and later.

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS (CONTINUED)

Deferred Retirement Option Plan (DROP): (1:271)

Prior to July 1, 1991:

Eligibility: If eligible to retire with an immediate service retirement allowance and between 25 and 30 years of Creditable Service.

Duration: The lesser of 5 years, or 32 years minus Creditable Service at DROP entry.

Benefits: Service retirement allowances are paid into the Member's DROP account, and credited with interest at the rate set by the actuarial formula. No further Member or employer contributions are payable, and no further benefits are accrued.

Upon retirement and termination of DROP participation (or death), the Member (or beneficiary) may elect one of the following:

(a) A lump sum of DROP account balance;
(b) A life annuity based on the DROP balance;
(c) Any other method of payment approved by the Board of Trustees.

Normal survival benefits payable to survivors of retirees are paid upon death of the Member while a DROP participant.

Deferred Retirement Option Plan (DROP): (1:271)

On and after July 1, 1991:

Comparable to pre-July 1, 1991 provisions, except interest is not credited to DROP account until the conditions of DROP participation have been satisfied. If the Member does not terminate employment at the end of the DROP period, potential interest credits are forfeited.

On and after July 1, 2002: If the Member has at least ten (10) years of Creditable Service and has attained at least age 55, with DROP duration not greater than three (3) years.

Compensated Absences: (1:262)

Upon written consent of the Member or his surviving spouse, the Retirement System will provide the following with respect to unused, accumulated vacation time and sick leave:

(a) Cash payment for a portion, with the remainder added to the Member's Creditable Service, on the basis of one (1) hour for each two (2) hours of unused time.
(b) Conversion of all of the accumulated time to Creditable Service, on the basis of one (1) hour for each hour of unused accumulated vacation time and sick leave.

Any unused time converted to service credit is included in determining eligibility for retirement and benefits. For purposes of determining Final Average Compensation, compensation at the time of retirement or death is assumed to continue for the period of added service.

Changes Since Prior Valuation:

None.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
(Source: 2008 Actuarial Report)

Valuation Date: December 31, 2007.

Valuation Method: Aggregate Entry Age Normal Actuarial Cost Method with Unfunded Actuarial Accrued Liability.

Asset Valuation Method: Market Value as of January 1, 1996. Beginning January 1, 1997, adjusted Market Value with 20% of unrealized gains (or losses) recognized each year. Beginning January 1, 2002, Expected Value Method, with 20% of investment gains or (losses) recognized each year.

Actuarial Assumptions:

Investment Return: 7.75% compounded annually. *(Adopted October 18, 2004)*

Salary Increases: 3.75% compounded annually due to inflation, plus longevity/merit in accordance with following schedule: *(Adopted October 18, 2004)*

Age	BREC/Regular	Fire/Police
30	+2.50%	+4.00%
35	+1.50%	+2.00%
40	+1.25%	+2.00%
45	+.75%	+1.00%
50	+.50%	0%
55	0%	0%

Aggregate Payroll Growth: 2.5% compounded annually. *(Adopted October 18, 2004)*

Non-Disabled Mortality: 1994 Group Annuity Mortality Table, producing following specimen rates: *(Adopted October 18, 2004)*

Age	Male	Female
20	.0556%	.0289%
30	.0839%	.0397%
40	.1252%	.0825%
50	.3213%	.1734%
60	1.0147%	.5832%
70	2.8481%	1.6506%

Disabled Mortality: Same as Non-Disabled Mortality.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Turnover and Disability: In accordance with the following specimen rates: *(Adopted July 13, 2000)*

Age	Disability	Turnover
20	.0006	.079
25	.0006	.077
30	.0006	.072
35	.0007	.063
40	.0011	.052
45	.0022	.040
50	.0046	.026
55	.0102	.009
60	.0320	.001
61	.0355	.000
62	.0400	.000
63	.0450	.000
64	.0410	.000
65	.0195	.000

The ultimate turnover rates are modified as follows, based on years of employment: *(Adopted October 18, 2004)*

Year	BREC, Regular	Fire, Police
0-1	330%	90%
2	225%	70%
3	180%	35%
4-10	150%	35%
11-15	60%	20%
16+	40%	10%

Probabilities of disability are in accordance with the Eleventh Actuarial Valuation of the Railroad Retirement System. Turnover is based on Table T-5. The disability rates for Fire and Police are increased by 100% and by 25% for BREC and Regular.

Assumed Transfers to Retirement System for accumulated vacation and sick leave, e.g.: *(Adopted July 13, 2000)*

	Total
BREC	1.0 year
Regular	1.0 year
Fire	1.75 years
Police	1.50 years

No provision is included for cash payment by the System under the one for two provisions.

Retirement: Regular, BREC, Police	Earlier of 25.5 years of service credit or age 61 with 11 years of service credit. *(Adopted March 2, 1995)*
Retirement: Fire	Earlier of 26 years of service credit or age 61 with 11 years of service credit. *(Adopted March 2, 1995)*

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Type of Disability:	A percentage of disabilities is assumed to be ordinary disabilities, as shown below: *(Adopted October 18, 2004)* BREC, Regular — 25% service-connected, 75% ordinary Fire — 50% service-connected, 50% ordinary Police — 75% service-connected, 25% ordinary
Recovery:	No probabilities of recovery are used. *(Adopted March 2, 1995)*
Remarriage:	No probabilities of remarriage are used. *(Adopted March 2, 1995)*
Spouse's Ages:	Female spouses are assumed to be 3 years younger than males. *(Adopted March 2, 1995)*
Marital Status:	80% of employees are assumed to be married. *(Adopted March 2, 1995)*
Amortization Method:	Level percentage of payroll 30-year open amortization.
Investment Expenses:	The rate of return on assets is assumed to be net of investment expense. *(Adopted October 18, 2004)*
Administrative Expenses:	The actual amount of the prior year's expense is added to the normal cost.
Withdrawal of Employee Contributions:	100% of employees who terminate (other than retirement, death, or disability) are assumed to withdraw their contributions. *(Adopted March 2, 1995)*
Changes in Ordinance Provisions Not Reflected:	None.
Other:	The liability for Retirement Benefit Adjustments and the funding of the Supplemental Benefit Payments from decreases in the Retirement Benefit Adjustments is combined into a perpetuity.
Sources of Data:	Membership and asset data as of December 31, 2007 was furnished by Retirement Office staff.
Changes Since Prior Valuation:	None.

ACCRUED LIABILITY ANALYSIS FOR 2008 AND 2007
(Source: 2008 Actuarial Report)

	2008	2007
Present Value of Future Benefits:		
Active Members:		
Retirement	$ 519,849,251	$ 520,190,139
Disability	7,636,832	14,688,669
Death	15,002,797	7,453,528
Vesting	12,836,978	11,954,309
Total	555,325,858	554,286,645
Retired Members and Beneficiaries:		
Service Retirement & Beneficiaries	474,855,644	447,714,131
Disability Retirements	26,367,834	25,735,334
Terminated Vested Members	3,229,816	3,398,410
Leave Balances	743,699	752,803
DROP (Future Benefits)	148,221,420	144,737,116
DROP (Accounts)	135,975,897	120,244,309
RBA Benefits	10,109,032	10,109,032
Total	799,503,342	752,691,135
Total Accrued Liability	$ 1,354,829,200	$ 1,306,977,780

ANNUAL AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY
(Source: 2008 Actuarial Report)

Date Established	Initial Amount	Remaining Balance at 12/31/2006	Amortization Payment as of 01/01/07	Remaining Balance at 12/31/2007	Amortization Payment as of 01/01/08
	-$-	-$-	-$-	-$-	-$-
12/31/98	(43,504,837)	(44,191,579)	(3,518,812)	–	–
12/31/99	(68,473,850)	(68,988,928)	(5,493,333)	–	–
12/31/00	1,201,912	1,203,807	95,855	–	–
12/31/01	19,553,834	19,014,385	1,514,046	–	–
12/31/02	41,180,218	41,077,947	3,270,885	–	–
12/31/03	9,190,241	9,190,241	731,785	–	–
12/31/04	173,606,389	–	–	173,606,389	10,892,894
12/31/05	186,176,892	–	–	186,176,892	11,681,627
12/31/06	183,577,585	–	–	183,577,858	11,518,534
12/31/07	186,072,416	–	–	186,072,416	11,675,072
		(42,694,127)	(3,399,574)	729,433,555	45,768,127

Note: This table reflects a 2004 change in the amortization method to utilize a level percentage of payroll 30-year open amortization method. This new method uses the revised payroll growth assumption of 2.5% per annum.

DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY
(Source: 2008 Actuarial Report)

Entry Age Normal Actuarial Accrued Liability:	
Active Members	$407,144,871
Retired Members and Beneficiaries	799,503,342
Total	1,206,648,213
Actuarial Asset Value as of December 31, 2007	1,020,575,797
Unfunded Actuarial Accrued Liability as of December 31, 2007	$186,072,416

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY
(Source: 2008 Actuarial Report)

A. Unfunded Actuarial Accrued Liability as of December 31, 2006	$183,577,585
B. Unfunded Actuarial Accrued Liability Increase Due to Revised Assumptions and Methods	N/A
C. Valuation System Change	N/A
D. Normal Cost for 2007	20,220,776
E. Interest at 7.75% on (A), (B), (C) and (D)	15,794,373
F. Net Contributions	(35,560,785)
G. Interest on (F)	(1,377,980)
H. Expected Unfunded Actuarial Liability as of December 31, 2007	182,653,969
I. 2007 (Gain) Loss	3,418,447
J. Unfunded Actuarial Accrued Liability as of December 31, 2007	186,072,416
K. Assumptions and Methods	N/A
L. Final Unfunded Actuarial Accrued Liability as of December 31, 2007	$186,072,416

SUMMARY OF ACTUARIAL ACCRUED LIABILITIES AND PERCENTAGE COVERED BY ACTUARIAL VALUE OF ASSETS/SOLVENCY TEST FOR THE TEN YEARS ENDED DECEMBER 31, 2007
(Source: 2008 Actuarial Report)

	(1)	(2)	(3)	(4)					
Valuation Date	Active Members' Contributions*	Terminated Vested Members	Retirees And Survivors**	Active Members Employer Contribution	Actuarial Value of Assets	Percentage of Actuarial Liabilities Covered by Assets (1)	(2)	(3)	(4)
	-$-	-$-	-$-	-$-	-$-	-%-	-%-	-%-	-%-
12/31/98	157,699,747	2,977,698	378,012,494	336,385,748	740,257,038	100.0	100.0	100.0	59.9
12/31/99	171,802,254	2,564,432	423,400,316	329,254,889	741,562,144	100.0	100.0	100.0	43.7
12/31/00	163,520,688	2,452,084	411,192,686	278,828,921	786,941,507	100.0	100.0	100.0	75.2
12/31/01	170,232,470	3,840,108	446,993,673	281,755,013	813,977,773	100.0	100.0	100.0	68.5
12/31/02	179,875,436	4,224,586	485,156,581	278,470,014	818,150,788	100.0	100.0	100.0	53.5
12/31/03	190,501,659	3,441,763	508,211,266	283,517,007	847,227,425	100.0	100.0	100.0	51.2
12/31/04	166,648,034	2,810,515	559,595,787	328,215,293	883,663,240	100.0	100.0	100.0	47.1
12/31/05	185,590,714	2,777,542	592,961,470	329,752,003	924,904,837	100.0	100.0	100.0	43.5
12/31/06	196,143,559	3,398,410	629,048,416	334,584,762	979,597,562	100.0	100.0	100.0	43.3
12/31/07	212,407,644	3,229,816	660,297,629	330,713,124	1,020,575,797	100.0	100.0	100.0	43.7

* Including DROP accounts.

** Including DROP participants' future benefits.

ANALYSIS OF FINANCIAL EXPERIENCE
(Source: 2008 Actuarial Report)

GAINS AND LOSSES IN UNFUNDED ACTUARIAL LIABILITY DURING YEARS ENDED 2003 – 2007 RESULTING FROM DIFFERENCES BETWEEN ASSUMED EXPERIENCE AND ACTUAL EXPERIENCE

	$ Gain or (Loss) For Year				
	2003	2004	2005	2006	2007
Investment Return	$ 8,272,153	$ (1,378,768)	$ 491,258	$ 11,572,540	$ 3,703,857
Salary Increases		(6,762,050)	(16,214,436)	511,417	(11,057,142)
	(2,383,584)				
Retirements	(2,277,929)	(2,325,155)		(2,564,712)	(2,085,335)
			9,375,267		
Mortality	5,380	7,533,133	(2,431,684)	(1,093,841)	2,002,693
Disability	577,279	133,937	(117,259)	(251,451)	(623,951)
Turnover	(1,514,090)	(2,050,072)	(2,314,728)	(1,141,020)	(1,343,869)
New Members	1,898,220	(1,484,893)	(1,604,105)	(2,523,118)	(2,193,515)
Contribution Differences	N/A	N/A	N/A	2,279,010	3,620,538
Leaves, Transfers, Etc.	238,118	(56,089)	(247,720)	900,168	4,558,277
Gain or (Loss) from Financial Experience	4,815,547	(6,389,957)	(13,063,407)	7,688,993	(3,418,447)
Non Recurring Elements:					
Valuation Software	--	4,548,998	--	--	--
Assumption Changes	--	(29,993,613)	--	(4,896,297)	--
Asset Method Changes	--	--	--	--	--
Plan Amendment	--	--	--	--	--
Composite Gain/(Loss) During Year	$ 4,815,547	$ (31,834,572)	$ (13,063,407)	$ 2,792,696	$ (3,418,447)

EMPLOYER CONTRIBUTION CALCULATION RESULTS FOR 2007 AND 2006
(Source: 2008 Actuarial Report)

		2007	2006
A.	Present Value of Future Benefits	$1,354,829,200	$1,306,977,780
B.	Actuarial Asset Value	1,020,575,797	979,597,562
C.	Present Value of Future Member Contributions	78,199,597	75,899,250
D.	Unfunded Actuarial Accrued Liability	186,072,416	183,577,585
E.	Present Value of Future Normal Costs (A-B-C-D)	69,981,390	67,903,383
F.	Present Value of Future Payrolls	854,455,700	823,952,700
G.	Normal Cost as a Percentage of Payroll (E/F)	8.190%	8.241%
H.	Current Payroll of Active Members (1)	114,067,572	109,803,915
I.	Normal Cost - Beginning of Year (G x H)	9,342,134	9,048,941
J.	Administrative Expense	1,073,946	1,042,144
K.	Amortization of (D) – 30 Years, Increasing 2.5%/Year	11,675,072	11,518,534
L.	Total City Contribution (I + J + K)	$ 22,091,152	$ 21,609,619

(1) For Members under Expected Retirement Age

ACTIVE MEMBERSHIP DATA
FOR THE TEN YEARS ENDED DECEMBER 31, 2007
(Source: 2008 Actuarial Report)

Valuation Date	Total Active Members	Percentage Change	Annual Payroll	Average Annual Pay	% Increase in Average Pay
		-%-	-$-	-$-	-%-
12/31/98	4,012	(0.1)	118,742,991	29,597	4.1
12/31/99	3,954	(1.4)	119,251,634	30,160	1.9
12/31/00*	3,377	(14.6)	99,510,155	29,467	(2.3)
12/31/01	3,315	(1.8)	102,793,456	31,009	5.2
12/31/02	3,220	(2.9)	101,339,785	31,472	1.5
12/31/03	3,321	3.1	106,240,559	31,991	1.6
12/31/04	3,314	(0.0)	109,887,349	33,159	3.6
12/31/05	3,229	(2.6)	115,559,704	35,788	7.9
12/31/06	3,309	2.5	120,067,016	36,285	1.4
12/31/07	3,313	0.1	123,524,590	37,285	2.8

*After transfer of police to Municipal Police Employees' Retirement System of Louisiana

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED
FOR THE TEN YEARS ENDED DECEMBER 31, 2007
(Source: 2008 Actuarial Report)

	Change in Number at EOY								
Valuation Date	Additions	Annual Allowances	Deletions	Annual Allowances	Number of Annuitants	Percentage Change in Membership	Annual Annuities	Percentage Change in Annuities	Average Annual Allowances
		-$-		-$-		-%-	-$-	-%-	-$-
12/31/98	152	2,802,370	64	567,931	1,811	5.1	28,717,393	8.4	15,857
12/31/99	173	3,332,956	59	599,806	1,925	6.3	31,450,543	9.5	16,338
12/31/00	216	5,562,177	135	3,701,424	2,006	4.2	33,311,296	5.9	16,606
12/31/01	137	3,488,781	71	1,596,748	2,072	3.3	35,203,329	5.7	16,990
12/31/02	129	2,808,183	66	891,291	2,135	3.0	37,120,221	5.4	17,387
12/31/03	127	3,029,116	70	1,157,493	2,192	2.7	38,991,844	5.0	17,788
12/31/04	146	3,214,961	60	549,921	2,278	3.9	41,656,884	6.8	18,287
12/31/05	171	4,053,408	46	718,363	2,403	5.5	44,991,929	8.0	18,723
12/31/06	192	4,543,484	64	1,042,766	2,531	5.3	48,492,647	7.8	19,159
12/31/07	195	5,114,419	89	1,107,527	2,637	4.2	51,529,267	6.7	19,541

TOTAL MEMBERSHIP DATA
(Source: 2008 Actuarial Report)

Actives:

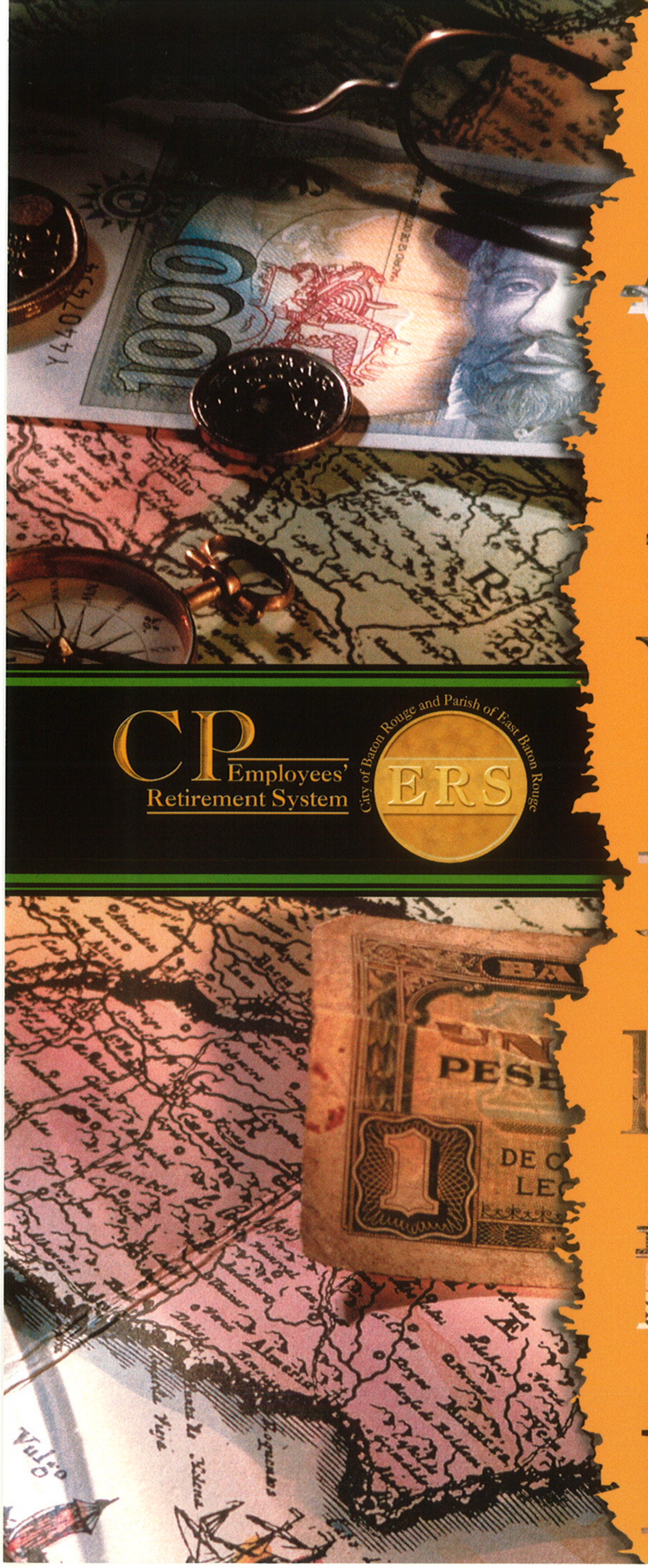
	2007		2006	
	Count	Average Salary	Count	Average Salary
BREC	399	$27,404	384	$27,297
Regular	2,370	35,926	2,338	34,745
Fire	494	49,868	531	47,632
Police	50	56,224	56	54,624
Total/Average	3,313	$37,285	3,309	$36,285

Annuitants:

	2007		2006	
	Count	Average Annuity	Count	Average Annuity
Retirees and Survivors	2,457	$19,946	2,353	$19,582
Disabilities	180	13,871	178	13,568
DROP	394	33,382	405	31,307
Total/Average	3,031	$21,462	2,936	$20,835

Inactive Members:

	2007		2006	
	Count	Average Deferred	Count	Average Deferred
Deferred Vested	43	$10,191	44	$10,630



CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

Actuarial Section Police Guarantee Trust

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

Stanley,
Holcombe
& Associates, Inc.

June 23, 2008

Board of Trustees
Employees' Retirement System - Police Guarantee Trust
City of Baton Rouge and
Parish of East Baton Rouge
209 St. Ferdinand Street
Post Office Box 1471
Baton Rouge, Louisiana 70821

Dear Board Members:

As requested, we have completed our annual valuation of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge Police Guarantee Trust as of January 1, 2008. The valuation was prepared on the basis of the data submitted by the Retirement System office and the actuarial assumptions adopted by the Board of Trustees, and reflects the benefits in effect on the valuation date.

The funding objective of the Police Guarantee Trust was established as follows:

a) fully fund all projected liabilities determined at inception, through a trust-to-trust transfer of $24,627,209 in assets from CPERS; and

b) fund any future actuarial losses through employee and employer contributions on included compensation for CPERS that is excluded for MPERS benefits; and

c) in the event that there is a shortfall after taking into account the above, the shortfall will be funded as a level percentage of future payrolls, using the Aggregate Actuarial Cost Method.

The Board has decided to introduce a one-year delay from the valuation date to the year for which the contribution rate calculated in the valuation is applied. Thus the contribution rate calculated in the 2008 valuation will apply to the year 2009.

In order to maintain comparability and consistency with results for the Employees' Retirement System, the Police Guarantee Trust uses the same actuarial assumptions and the same actuarial valuation methodology. This year the actuarial assumptions for PGT were the same as the CPERS assumptions based on the 1999-2003 experience study. Since the intent was to fund the projected liability through the initial trust to trust transfer of $24,627,209 from the Employees' Retirement System, no unfunded actuarial accrued liability was expected. However, due to actuarial losses in 2001 through 2007, there is an unfunded liability in the PGT of $2,450,589, as of December 31, 2007.

2000 RiverEdge Parkway/Suite 540 • Atlanta, GA 30328
(770) 933-1933 • Fax (770) 933-8918 • www.stanleyholcombe.com

Board of Trustees
Employees' Retirement System - Police Guarantee Trust
City of Baton Rouge and
Parish of East Baton Rouge
Page 2
June 23, 2008

Effective February 26, 2000, there were 637 police officers who had elected to transfer to the statewide Municipal Police Employees' Retirement System. This group of 637 officers is the closed group of members entitled to benefits from the Police Guarantee Trust. The initial valuation was prepared as of January 1, 2000, and is the basis for City contribution rates of 0% for the 2000 and 2001 years.

The method of determining the actuarial value of assets is the same method as is currently used for CPERS, effective with the January 1, 2003 valuation. Under this method, 20% of the difference between the expected asset value and market value is recognized each year. Under this method, the actuarial value of assets as of December 31, 2007 is $29,042,317.

In performing the January 1, 2008 valuation, we have relied upon the employee data and financial information provided by the administrative staff of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge. Regarding participant data, each record was edited for reasonableness and consistency, although the validity of the information was not compared to source documents. Regarding plan assets, a general review for consistency and balance testing with information furnished for the prior year's valuation was performed.

The present values shown in the January 1, 2008 actuarial valuation and supporting schedules of this certification have been prepared in accordance with the actuarial methods and assumptions approved by the Board: they are appropriate for the purposes of this valuation. The actuarial assumptions are identical to the assumptions used for the January 1, 2008 valuation of the Employees' Retirement System, which reflected the results of the 1999-2003 experience study. The funding method used is the Aggregate Cost Method. The actuarial assumptions and methods used for funding purposes comply with and are within the parameters set forth by the Governmental Accounting Standards Board (GASB) Statement No. 25. Under the Aggregate Cost Method there is no amortization of unfunded liabilities.

Board of Trustees
Employees' Retirement System - Police Guarantee Trust
City of Baton Rouge and Parish of East Baton Rouge
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June 23, 2007

Additional information is provided in the Summary of Actuarial Assumptions and Methods. The same actuarial assumptions and methods were employed in the development of the schedules which we prepared for the Actuarial Section of this report. Furthermore, we certify to the best of our knowledge, the methods and assumptions comply with generally recognized and accepted actuarial principles and practices set forth by the American Academy of Actuaries, are reasonable in the aggregate and when applied in combination represents our best estimate of the funding requirement to achieve the Retirement System's funding objective.

Our firm prepared a number of schedules which are included in the Retirement System's 2007 Comprehensive Annual Financial Report - specifically the Summary of Principal System Provisions, Summary of Actuarial Assumptions and Methods, Summary of Actuarial Accrued Liabilities and Percentage covered by Actuarial Value of Assets/Solvency Test, Active Membership Data, Schedule of Retirees and Beneficiaries Added, and Total Membership Data. In addition, we prepared the Required Supplementary Information under GASB Statement No. 25, which includes the Schedule of Funding Progress, the Schedule of Employer Contributions, and the Notes to the Schedules of Trend Information.

Sincerely,

Randall L. Stanley

Randall L. Stanley, F.S.A., M.A.A.A., E.A.
Consulting Actuary and Principal

Frans Christ

Frans Christ, F.S.A., M.A.A.A., E.A.
Vice President and Consulting Actuary

RLS/FC/di

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS
(Source: 2008 PGT Actuarial Report)
(Based on Ordinance No. 11669)

Effective Date:	February 26, 2000, amended February 28, 2001.
Fiscal Year:	Calendar year.
Membership:	Eligible police employees who were active members or in the Deferred Retirement Option Plan (DROP) of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge (CPERS) on February 26, 2000 who elected to transfer into the Municipal Police Employees' Retirement System of Louisiana (MPERS) are automatically included in the Police Guarantee Trust (PGT).
Transferred Assets:	Initially funded by a trust to trust transfer of $24,627,209 from CPERS, as of January 1, 2000.
Contributions:	Members: Based on current member contribution rate under CPERS, applied to member's compensation not covered by MPERS. Member contributions are "picked up" by the City. City: Actuarially determined.
Benefit Amounts:	The excess of the benefits that would have been payable under CPERS, based on the provisions in effect on February 26, 2000, over the benefits payable under MPERS. MPERS benefits are calculated under a 50% joint and survivor option. PGT benefits reflect any increases in MPERS benefits due to cost-of-living adjustments.
DROP:	A. Members in CPERS DROP at February 26, 2000: (1) If in CPERS DROP for 3 or more years, DROP payments are credited to PGT DROP account. Investment returns for CPERS and PGT accounts are credited to PGT account after February 26, 2000. (2) If in CPERS DROP less than 3 years, up to 3 years since transfer, in MPERS DROP. After 3 years in DROP (CPERS and MPERS combined) DROP payments are credited to PGT DROP account for remainder of DROP period (5 years maximum for total DROP periods). Investment returns for CPERS, MPERS, and PGT accounts are credited to the PGT account after February 26, 2000. B. Active members at February 26, 2000: Members enter PGT DROP first, with payments credited to PGT DROP account, until the later of 2 years or eligibility for MPERS DROP. Investment returns for MPERS and PGT DROP accounts are credited to PGT DROP account.
Changes since Prior Valuation:	None

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
(Source: 2008 PGT Actuarial Report)

Valuation Date:	December 31, 2007.
Valuation Method:	Aggregate Actuarial Cost Method.
Asset Valuation Method:	Market Value as of January 1, 2000 and January 1, 2001. Beginning January 1, 2002, adjusted Market Value with 20% of unrealized gains (or losses) recognized each year.
Actuarial Assumptions:	
Investment Return:	7.75% compounded annually. *(Adopted October 18, 2004)*
Salary Increases:	3.75% compounded annually due to inflation, plus longevity/merit in accordance with following schedule: *(Adopted October 18, 2004)*

Age	PGT
30	+4.00%
35	+2.00%
40	+2.00%
45	+1.00%
50	0.00%
55	0.00%

Aggregate Payroll Growth:	Not applicable.
Non-Disabled Mortality:	1994 Group Annuity Mortality Table set forward two years, producing following specimen rates: *(Adopted October 18, 2004)*

Age	Male	Female
20	.0556%	.0289%
30	.0839%	.0397%
40	.1252%	.0825%
50	.3213%	.1734%
60	1.0147%	.5832%
70	2.8481%	1.6506%

Disabled Mortality:	Same as non-disabled mortality.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Turnover and Disability: In accordance with the following specimen rates: *(Adopted February 26, 2000)*

Age	Disability	Turnover
20	.0012	.079
25	.0012	.077
30	.0012	.072
35	.0014	.063
40	.0022	.052
45	.0044	.040
50	.0092	.026
55	.0204	.009
60	.0640	.001
61	.0710	.000
62	.0800	.000
63	.0900	.000
64	.0820	.000
65	.0390	.000

Probabilities of disability are double the rates from the Eleventh Actuarial Valuation of the Railroad Retirement System. Turnover is based on Table T-5.

The turnover rates are modified as follows, based on years of employment: *(Adopted October 18, 2004)*

Year	PGT
1-4	60%
5-10	50%
11+	25%

Assumed transfers to CPERS (for accumulated vacation and sick leave e.g.): 1.5 years. *(Adopted October 18, 2004)*

Retirement: Earlier of 25.5 years of service credit or age 61 with 11 years of service credit. *(Adopted October 18, 2004)*

Type of Disability: A percentage of disabilities is assumed to be ordinary disabilities, as shown below: *(Adopted February 26, 2000)*

75% service connected, 25% ordinary. *(Adopted February 26, 2000)*

Recovery: No probabilities of recovery are used. *(Adopted February 26, 2000)*

Remarriage: No probabilities of remarriage are used. *(Adopted February 26, 2000)*

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Spouse's Ages:	Female spouses are assumed to be 3 years younger than males. *(Adopted February 26, 2000)*
Marital Status:	80% of employees are assumed to be married. *(Adopted February 26, 2000)*
Interest on Future MPERS DROP Accounts:	Three years of interest, compounded annually at 7.75%, on CPERS DROP deposits while member participates in MPERS DROP, payable at DROP exit. *(Adopted October 18, 2004)*
Investment Expenses:	None provided for. *(Adopted October 18, 2004)*
Withdrawal of Employee Contributions:	100% of employees who terminate (other than retirement, death, or disability) are assumed to withdraw their contributions. *(Adopted February 26, 2000)*
COLA:	MPERS benefits in pay status are assumed to increase 2% annually. *(Adopted February 26, 2000)*
Ancillary Benefits:	MPERS ancillary benefits (turnover, disability, death) were assumed to be greater than CPERS ancillary benefits. *(Adopted February 26, 2000)*
Sources of Data:	Membership data, asset information, and aggregate DROP balances as of December 31, 2007 were furnished by Retirement Office. For active members, MPERS compensation was estimated as: CPERS compensation, minus member contributions to PGT divided by .095. For members who are in CPERS DROP but not in MPERS DROP, MPERS compensation was estimated as City-Parish contributions to MPERS divided by .095.
Changes Since Prior Valuation:	None.

SUMMARY OF ACTUARIAL ACCRUED LIABILITIES AND PERCENTAGE COVERED BY ACTUARIAL VALUE OF ASSETS/SOLVENCY TEST FOR THE EIGHT YEARS ENDED DECEMBER 31, 2007 (Source: 2008 PGT Actuarial Report)

Valuation Date	(1) Active Members' Contributions*	(2) Retirees And Survivors**	(3) Terminated Vested Members	(4) Active Members Employer Contribution	Actuarial Value of Assets	Percentage of Actuarial Liabilities Covered by Assets (1)	(2)	(3)	(4)
	-$-	-$-	-$-	-$-	-$-	-%-	-%-	-%-	-%-
12/31/00	1,631,640	6,573,761	--	11,176,845	25,684,328	100.0	100.0	100.0	100.0
12/31/01	4,024,374	4,724,586	--	10,480,337	24,815,273	100.0	100.0	100.0	100.0
12/31/02	6,737,203	4,285,414	--	10,008,154	25,481,771	100.0	100.0	100.0	100.0
12/31/03	8,193,594	3,182,942	--	10,928,266	26,468,255	100.0	100.0	100.0	100.0
12/31/04	9,641,791	3,143,864	--	10,261,837	27,588,419	100.0	100.0	100.0	100.0
12/31/05	9,314,027	1,630,156	--	10,414,479	27,317,297	100.0	100.0	100.0	100.0
12/31/06	9,570,474	1,713,136	--	11,820,249	28,273,898	100.0	100.0	100.0	100.0
12/31/07	10,755,863	2,895,401	--	11,878,139	29,042,317	100.0	100.0	100.0	100.0

* Including DROP accounts.
** Including DROP participants' future benefits.

Note: Only eight years of data are available.

ACTIVE MEMBERSHIP DATA
FOR THE NINE YEARS ENDED DECEMBER 31, 2007
(Source: 2008 PGT Actuarial Report)

Valuation Date	Total Active Members	Percentage Change -%-	Annual Payroll -$-	Average Annual Pay -$-	% Increase in Average Pay -%-
12/31/99	552	--	21,763,879	39,427	--
12/31/00	531	(3.8)	22,530,785	42,431	7.6
12/31/01	483	(9.0)	20,920,112	43,313	2.1
12/31/02	455	(5.8)	19,793,300	43,502	0.4
12/31/03	419	(7.9)	19,324,588	46,121	6.0
12/31/04	385	(8.1)	20,587,122	53,473	16.0
12/31/05	372	(3.4)	19,964,426	53,668	0.4
12/31/06	350	(5.9)	20,507,475	58,593	9.2
12/31/07	329	(6.0)	19,754,110	60,043	2.5

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED
FOR THE NINE YEARS ENDED DECEMBER 31, 2007
(Source: 2008 PGT Actuarial Report)

	Change in Number at EOY								
Valuation Date	Additions	Annual Allowances -$-	Deletions	Annual Allowances -$-	*Number of Annuitants	Percentage Change in Membership -%-	**Annual Annuities -$-	Percentage Change in Annuities -%-	Average Annual Allowances -$-
12/31/99	--	--	--	--	--	--	--	--	--
12/31/00	28	930,641	--	--	28	--	930,641	--	33,237
12/31/01***	4	69,088	22	815,455	10	(64.3)	184,274	(80.2)	18,427
12/31/02	4	18,088	2	86,057	12	20.0	116,305	(36.9)	9,692
12/31/03	4	50,585	1	45,062	15	25.0	121,828	4.7	8,122
12/31/04	3	79,818	2	26,418	16	6.7	175,228	43.8	10,952
12/31/05	4	29,124	0	--	20	25.0	204,352	16.6	10,218
12/31/06	3	85,113	2	45,007	21	5.0	244,458	19.6	11,641
12/31/07	4	21,093	4	116,893	21	0.0	148,658	(39.2)	7,079

* Includes only those annuitants who receive full or partial monthly retirement benefits from PGT.

** Includes only monthly annuities paid through PGT annualized

*** Regarding mergers/transfers, Louisiana Revised Statute 11:2225(A)(11)(a)(ii) places the responsibility of the transferring members' benefit payments on the transferring system for a period of one year following the effective date of the transfer. Therefore, the Police Guarantee Trust was responsible for paying transferred members who retired after February 26, 2000. On February 26, 2001 most of these members' payments became the responsibility of the Municipal Police Employees' Retirement System of Louisiana.

TOTAL MEMBERSHIP DATA
(Source: 2008 PGT Actuarial Report)

Actives:

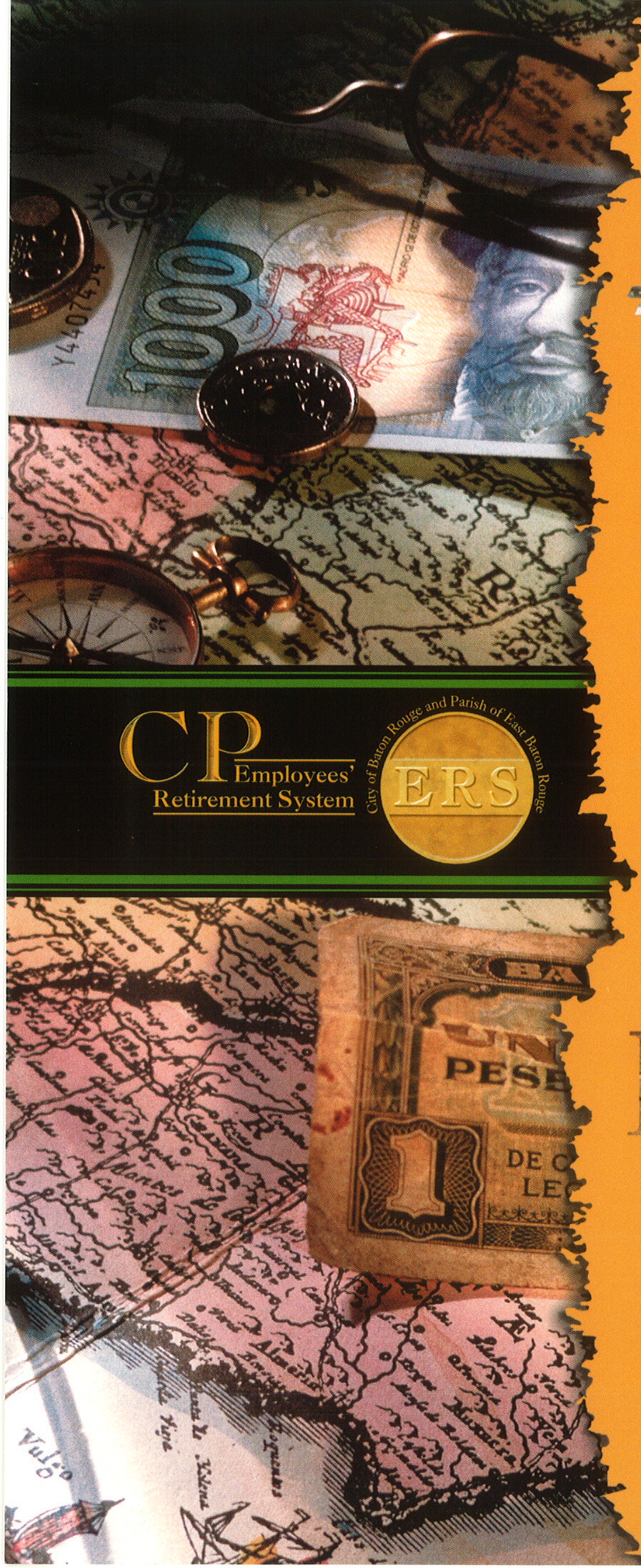
	2007		2006	
	Count	Average Salary	Count	Average Salary
Police	329	$60,043	350	$58,593

Annuitants:

	2007		2006	
	Count	Average Annuity	Count	Average Annuity
Retirees and Survivors	21	$34,538	21	$38,143
Disabilities	--	--	--	--
DROP	37	52,207	24	50,653
Total	58	$45,809	45	$43,967

Inactive Members:

	2007		2006	
	Count	Average Deferred Annuity	Count	Average Deferred Annuity
Deferred Vested	--	--	--	--



CPERS Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

Statistical Section

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

STATISTICAL SECTION

DATA SOURCES, ASSUMPTIONS, AND METHODOLOGIES

Data for the statistical section is derived from financial statements, active member data files, and retired member data files, all of which are prepared by CPERS. These data files are also used by CPERS' independent actuary to prepare the annual actuarial valuations.

For the purposes of the schedules contained in the statistical section, active members are defined as those actively employed full time by an eligible employer and contributing to the system at the end of the current fiscal year. Deferred retirees are those members who have, in lieu of immediate termination of employment and receipt of a service allowance retirement, elected to continue employment with an eligible employer for a specified period of time, while deferring the receipt of retirement benefits. Retirees and beneficiaries are those who were receiving benefits at the end of the current fiscal year, including those members who retired after participating in the Deferred Retirement Option Plan (DROP).

CPERS uses custom computer programming as well as database queries to extract data to produce the information for the statistical section. The data is either imported into pre-defined file formats or personal computer software applications for further analysis, calculations, and formatting for presentation in the statistical section.

NUMBER OF ADMINISTRATIVE STAFF POSITIONS

Fiscal Year	Staff	% Increase Each Year
1998	12	0.00%
1999	12	0.00%
2000	12	0.00%
2001	12	0.00%
2002	12	0.00%
2003	12	0.00%
2004	11	(8.33%)
2005	11	0.00%
2006	11	0.00%
2007	11	0.00%

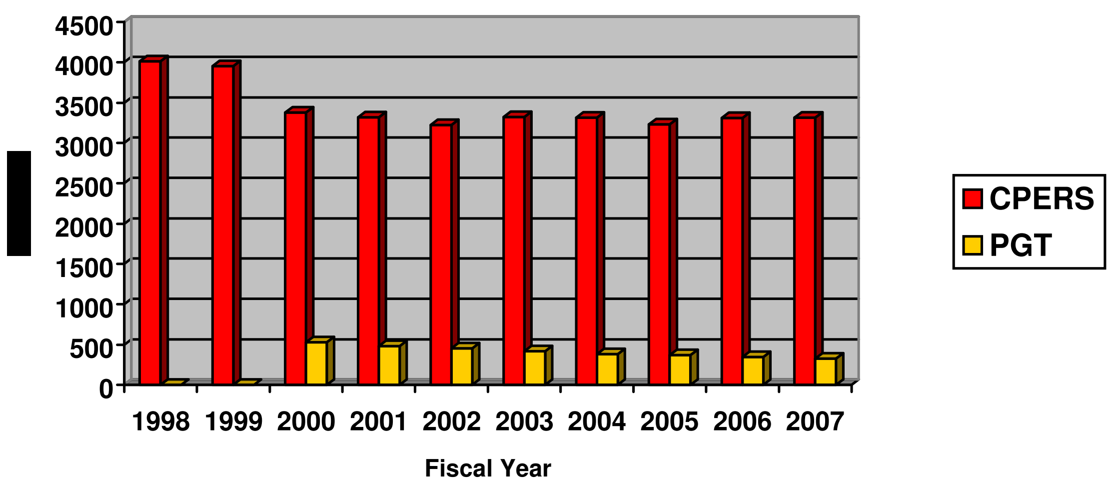
SCHEDULE OF PARTICIPATING EMPLOYERS FOR 2007 AND 1998

Participating Employer	Covered Active Employees	Rank	Percentage of System Membership
2007			
City of Baton Rouge and Parish of East Baton Rouge	2,783	1	84.00%
Recreation and Park Commission for the Parish of East Baton Rouge	399	2	12.05%
District Attorney of the Nineteenth Judicial District	64	3	1.93%
East Baton Rouge Parish Juvenile Court	22	4	0.67%
East Baton Rouge Parish Family Court	12	5	0.36%
Eastside Fire Protection District	9	6	0.27%
Office of the Coroner of East Baton Rouge Parish	9	7	0.27%
East Baton Rouge Parish Fire Protection District No. 6	6	8	0.18%
St. George Fire Protection District	5	9	0.15%
Brownsfield Fire Protection District	4	10	0.12%
2007 Total	3,313		100.00%

1998	Covered Active Employees	Rank	Percentage of System Membership
City of Baton Rouge and Parish of East Baton Rouge	3,645	1	90.85%
Recreation and Park Commission for the Parish of East Baton Rouge	192	2	4.79%
District Attorney of the Nineteenth Judicial District	89	3	2.22%
St. George Fire Protection District	25	4	0.62%
East Baton Rouge Parish Juvenile Court	21	5	0.52%
East Baton Rouge Parish Fire Protection District No. 6	14	6	0.35%
East Baton Rouge Parish Family Court	11	7	0.27%
Central Fire Protection District	9	8	0.22%
Brownsfield Fire Protection District	3	9	0.08%
Eastside Fire Protection District	3	10	0.08%
1998 Total	4,012		100.00%

NUMBER OF ACTIVE MEMBERS

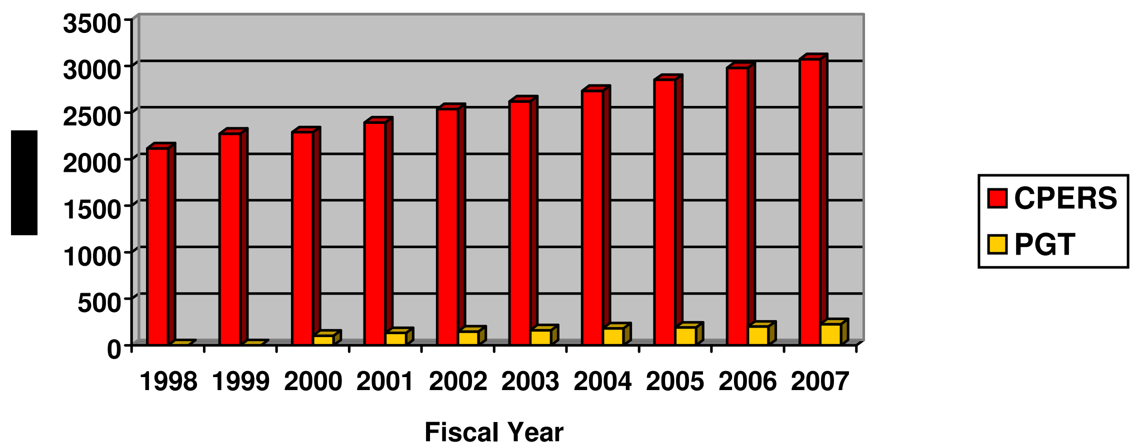
	CPERS		PGT	
Fiscal Year	Members	% Increase Each Year	Members	% Increase Each Year
1998	4,012	(0.1%)	N/A	N/A
1999	3,954	(1.4%)	N/A	N/A
2000	3,377	(14.6%)	531	N/A
2001	3,315	(1.8%)	483	(9.0%)
2002	3,220	(2.9%)	455	(5.8%)
2003	3,321	3.1%	419	(7.9%)
2004	3,314	(0.2%)	385	(8.1%)
2005	3,229	(2.6%)	372	(3.4%)
2006	3,309	2.5%	350	(5.9%)
2007	3,313	0.1%	329	(6.0%)



NUMBER OF RETIREES, BENEFICIARIES, VESTED TERMINATED, AND DEFERRED RETIREES

	CPERS		PGT	
Fiscal Year	Retirees and Deferred Retirees	% Increase Each Year	Retirees and Deferred Retirees*	% Increase Each Year
1998	2,117	4.5%	N/A	N/A
1999	2,273	7.4%	N/A	N/A
2000	2,289	0.7%	103	N/A
2001	2,394	4.6%	133	29.1%
2002	2,537	6.0%	149	12.0%
2003	2,621	3.3%	163	9.4%
2004	2,733	4.3%	183	12.3%
2005	2,852	4.4%	191	4.4%
2006	2,980	4.5%	201	5.2%
2007	3,074	3.2%	226	12.4%

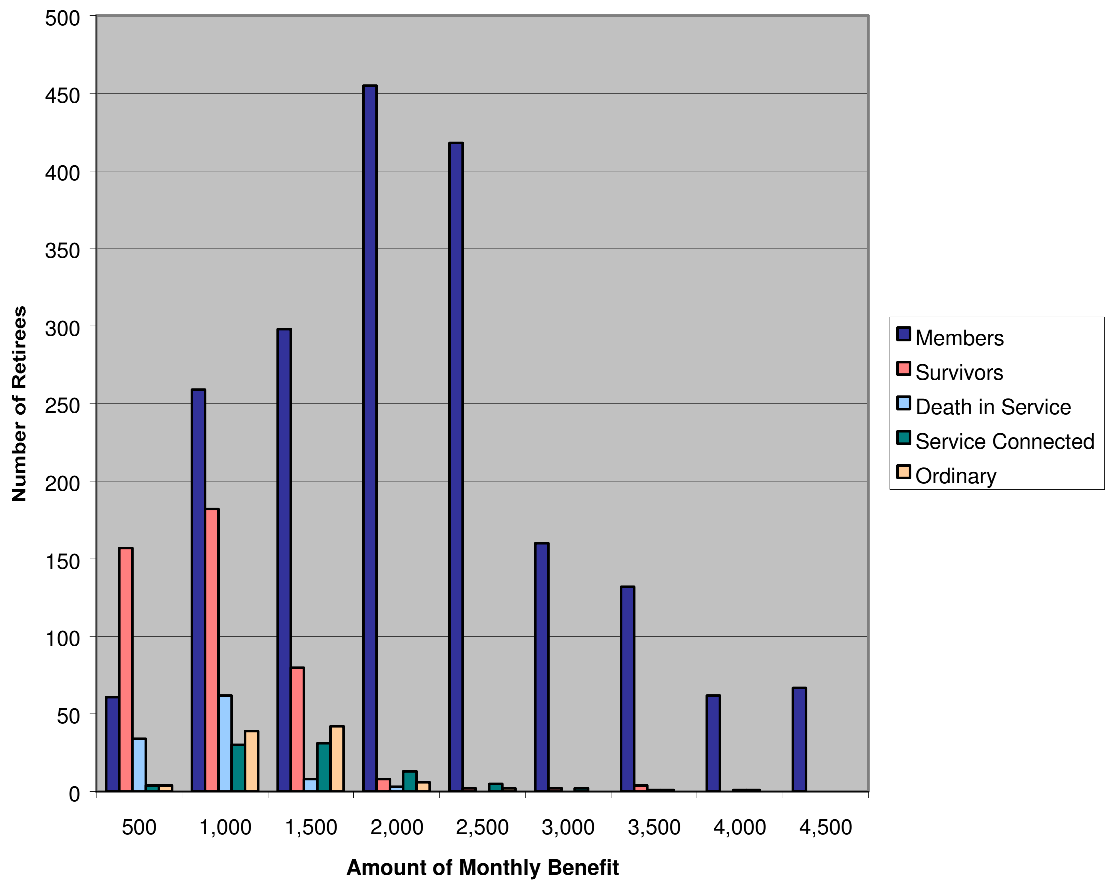
* Includes annuitants who participated in the PGT but receive monthly retirement benefits from MPERS.



SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT (CPERS)

Amount of Monthly Benefit	Number of Retirees *	Types of Retirement: Service Benefits			Disability Benefits	
		Members	Survivors	Death in Service	Service Connected	Ordinary
$1-500	260	61	157	34	4	4
501-1,000	572	259	182	62	30	39
1,001-1,500	459	298	80	8	31	42
1,501-2,000	485	455	8	3	13	6
2,001-2,500	428	418	3	--	5	2
2,501-3,000	164	160	2	--	2	--
3,001-3,500	138	132	4	1	1	--
3,501-4,000	64	62	--	1	1	--
Above 4,000	67	67	--	--	--	--
Totals	2,637	1,912	436	109	87	93

* Does not include deferred retirees



NUMBER OF RETIREES AND BENEFIT EXPENSES

	CPERS		PGT	
Fiscal Year	Retirees	Benefit Expenses	Retirees*	Benefit Expenses
1998	1,811	$28,752,074	N/A	N/A
1999	1,925	31,027,600	N/A	N/A
2000	2,006	33,044,148	28**	$ 663,174**
2001	2,072	35,124,531	10	266,434
2002	2,135	36,982,809	12	118,046
2003	2,192	39,037,900	15	130,839
2004	2,278	41,239,596	16	162,885
2005	2,403	43,982,717	20	184,736
2006	2,531	47,494,047	21	187,492
2007	2,637	52,037,439	21	202,542

* Includes only retirees receiving monthly benefits from PGT.

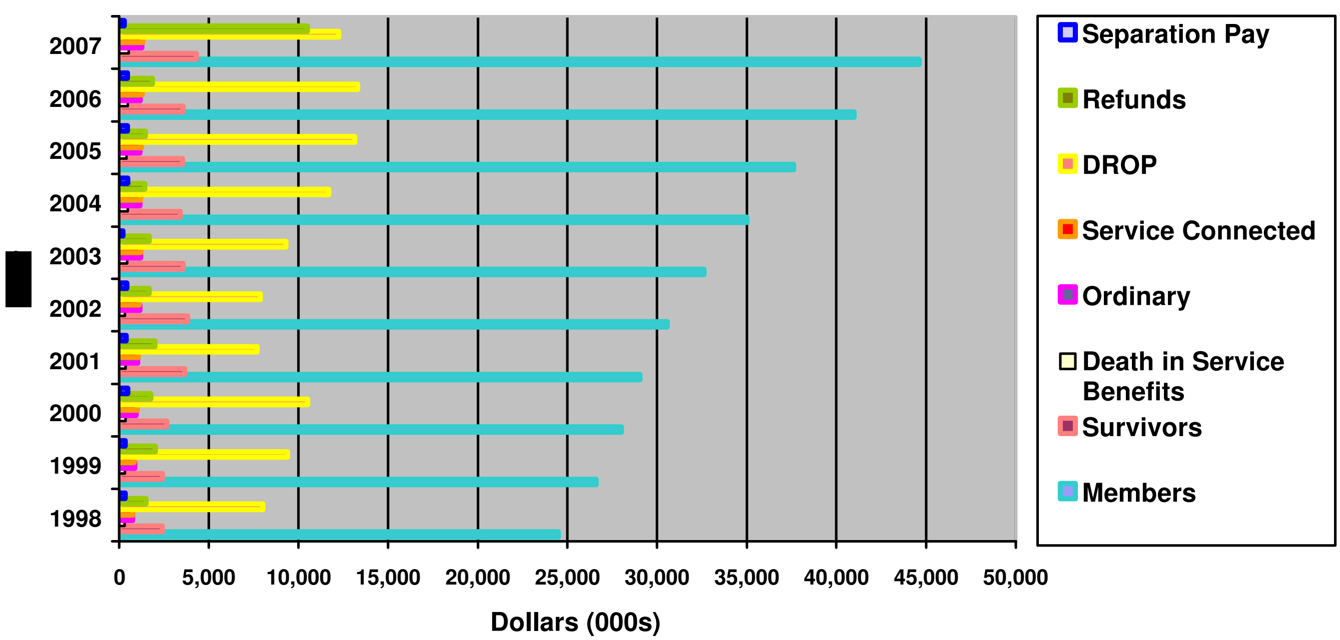
** Regarding mergers/transfers, Louisiana Revised Statute 11:2225(A)(11)(a)(ii) places the responsibility of the transferring members' benefit payments on the transferring system for a period of one year following the effective date of the transfer. Therefore, the Police Guarantee Trust was responsible for paying transferred members who retired after February 26, 2000. On February 26, 2001 most of these members' payments became the responsibility of the Municipal Police Employees' Retirement System of Louisiana.

NUMBER OF RETIRED DEFERRED RETIREMENT OPTION PLAN PARTICIPANTS AND PAYMENTS

	CPERS		PGT	
Fiscal Year	Retired Deferred Retirement Participants	Retired Deferred Retirement Benefit Expenses	Retired Deferred Retirement Participants	Retired Deferred Retirement Benefit Expenses
1998	382	$8,025,626	N/A	N/A
1999	400	9,390,136	N/A	N/A
2000	424	10,512,203	11	$ 136,354
2001	450	7,706,555	15	455,076
2002	486	7,882,624	31	366,547
2003	520	9,305,178	32	727,756
2004	566	11,704,825	40	882,895
2005	645	13,139,478	54	2,045,762
2006	683	13,294,922	55	1,205,207
2007	772	12,252,218	66	1,009,996

SCHEDULE OF BENEFIT EXPENSES BY TYPE (CPERS)

	Service Benefits			Disability Benefits					
Year Ending	Members	Survivors	Death in Service Benefits	Ordinary	Service Connected	DROP	Refunds	Separation Benefits	Total
1998	$24,503,687	$2,404,149	$297,090	$749,241	$774,838	$8,025,626	$1,493,287	$340,843	$38,588,761
1999	26,603,287	2,402,079	322,477	865,743	835,033	9,390,136	2,012,039	340,904	42,771,698
2000	28,015,105	2,657,362	347,589	938,680	1,009,007	10,512,203	1,760,171	486,271	45,726,388
2001	29,048,861	3,662,696	349,700	1,034,810	1,067,769	7,706,555	1,999,902	390,717	45,261,010
2002	30,562,762	3,813,030	325,511	1,152,986	1,128,521	7,882,624	1,670,141	420,608	46,956,183
2003	32,606,340	3,573,038	452,365	1,187,346	1,218,810	9,305,178	1,681,537	218,298	50,242,912
2004	34,998,477	3,400,247	479,215	1,161,635	1,200,022	11,704,825	1,432,612	481,921	54,858,954
2005	37,624,671	3,530,787	416,203	1,166,417	1,244,639	13,139,478	1,462,779	469,930	59,054,904
2006	40,989,616	3,563,309	479,965	1,182,300	1,278,858	13,294,922	1,858,661	466,207	63,113,838
2007	44,615,779	4,294,423	529,944	1,268,931	1,328,362	12,252,218	10,507,501	277,739	75,074,897



AVERAGE MONTHLY SERVICE RETIREE BENEFIT (CPERS) *

Retirement Date		Years of Service Credit						
		0-5	6-10	11-15	16-20	21-25	26-30	>30
1998	Avg. Monthly Benefit - $	0.00	798.54	922.71	1,053.49	2,295.75	2,501.86	0.00
	Avg. Final Average Salary - $	0.00	2,415.00	2,430.58	2,214.69	3,136.16	3,124.26	0.00
	Number of Retirees	0	8	9	9	68	10	0
1999	Avg. Monthly Benefit - $	901.55	695.62	1,034.02	1,261.82	2,258.43	2,401.35	0.00
	Avg. Final Average Salary - $	1,803.09	2,190.75	2,745.88	2,548.79	3,078.83	2,988.62	0.00
	Number of Retirees	2	12	17	13	67	17	0
2000	Avg. Monthly Benefit - $	1,413.28	996.50	1,045.88	1,262.54	2,199.49	2,923.24	0.00
	Avg. Final Average Salary - $	2,826.55	2,980.32	2,759.78	2,506.20	3,067.47	3,684.09	0.00
	Number of Retirees	1	8	17	10	91	18	0
2001	Avg. Monthly Benefit - $	0.00	750.46	964.56	1,235.46	2,285.36	3,008.14	5,871.44
	Avg. Final Average Salary - $	0.00	2,249.07	2,571.53	2,692.39	3,206.17	3,747.16	7,380.08
	Number of Retirees	0	9	12	9	55	23	1
2002	Avg. Monthly Benefit - $	850.98	871.70	993.70	1,434.57	2,527.85	2,991.54	0.00
	Avg. Final Average Salary - $	1,701.97	2,216.38	2,722.76	3,151.58	3,493.53	3,844.01	0.00
	Number of Retirees	3	8	14	7	64	22	0
2003	Avg. Monthly Benefit - $	926.16	1,016.17	1,465.53	1,706.54	2,261.76	3,197.90	5,215.26
	Avg. Final Average Salary - $	1,852.31	3,302.81	3,453.42	3,832.95	3,190.77	4,034.68	5,794.74
	Number of Retirees	2	6	8	8	58	24	1
2004	Avg. Monthly Benefit - $	1,611.89	809.29	1,123.58	1,723.81	2,742.79	3,014.85	0.00
	Avg. Final Average Salary - $	3,223.78	2,940.57	2,902.41	3,839.94	3,701.81	3,943.00	0.00
	Number of Retirees	1	8	12	10	72	35	0
2005	Avg. Monthly Benefit - $	884.10	748.71	952.19	1,419.70	2,748.10	3,183.44	0.00
	Avg. Final Average Salary - $	9,455.60	2,340.64	2,901.88	3,227.51	3,841.90	3,968.87	0.00
	Number of Retirees	1	17	32	22	80	41	0
2006	Avg. Monthly Benefit - $	0.00	683.76	1,101.62	1,329.48	2,451.22	3,676.65	0.00
	Avg. Final Average Salary - $	0.00	2,528.22	3,056.20	2,928.08	3,476.60	4,599.53	0.00
	Number of Retirees	0	12	16	18	75	34	0
2007	Avg. Monthly Benefit - $	1,315.24	771.71	966.65	1,488.95	2,663.42	3,539.33	2,774.38
	Avg. Final Average Salary - $	2,630.49	2,549.70	2,680.06	3,425.21	3,622.59	4,546.12	3,087.05
	Number of Retirees	1	20	23	18	62	48	2

* Includes service and disability retirees with effective retirement dates as shown. Does not include survivor or beneficiary annuitants.

NUMBER OF EXCESS BENEFIT PLAN PARTICIPANTS AND BENEFIT EXPENSES

	CPERS		PGT	
Fiscal Year *	Excess Benefit Plan Participants	Benefit Expenses	Excess Benefit Plan Participants	Benefit Expenses
1998	2	$ 13,101	N/A	N/A
1999	4	33,596	N/A	N/A
2000	4	35,143	N/A	N/A
2001	5	39,304	N/A	N/A
2002	5	33,968	N/A	N/A
2003	5	51,279	N/A	N/A
2004	4	43,913	N/A	N/A
2005	5	74,118	N/A	N/A
2006	5	77,924	N/A	N/A
2007	6	76,515	N/A	N/A

NUMBER OF REFUNDS OF CONTRIBUTIONS

	CPERS		PGT	
Fiscal Year	Number of Refunds	% Increase Each Year	Number of Refunds	% Increase Each Year
1998	225	(13.80%)	N/A	N/A
1999	306	36.00%	N/A	N/A
2000	230	(24.84%)	1	N/A
2001	230	0.00%	4	300.00%
2002	232	0.87%	4	0.00%
2003	236	1.72%	5	25.00%
2004	237	0.42%	3	(40.00%)
2005	245	3.38%	4	33.33%
2006	262	6.94%	3	(25.00%)
2007	272	3.82%	2	(33.33%)

SCHEDULE OF CHANGES IN NET ASSETS (CPERS)

Fiscal Year	Member Contributions	Employer Contributions	Net Investment Income	Total Additions to Net Assets
	$	$	$	$
1998	11,632,339	20,120,542	89,345,159	121,098,040
1999	11,776,623	20,334,067	93,398,150	125,508,840
2000	9,231,205	13,587,244	17,665,089	40,483,538
2001	8,972,290	11,516,686	(15,367,043)	5,121,933
2002	9,223,966	12,053,689	(62,739,109)	(41,461,454)
2003	9,063,451	14,531,806	157,622,501	181,217,758
2004	11,148,409	17,739,809	90,816,134	119,704,352
2005	12,597,356	20,637,086	75,536,830	108,771,272
2006	12,828,206	23,833,249	133,028,303	169,689,758
2007	13,724,573	25,221,447	42,508,100	81,454,120

Fiscal Year	Benefit Payments	Refunds and Withdrawals	Admin. Expenses	Total Deductions from Net Assets	Total Changes in Net Assets
	$	$	$	$	$
1998	37,095,474	1,493,287	1,015,699	39,604,460	81,493,580
1999	40,759,659	2,012,039	944,577	43,716,275	81,792,565
2000	43,966,217	1,760,171	732,364	46,458,752	(5,975,214)
2001	43,261,108	1,999,902	789,316	46,050,326	(40,928,393)
2002	45,286,042	1,670,141	817,319	47,773,502	(89,234,956)
2003	48,561,375	1,681,537	954,294	51,197,206	130,020,552
2004	53,426,342	1,432,612	836,043	55,694,997	64,009,355
2005	57,592,125	1,462,779	878,515	59,933,419	48,837,853
2006	61,255,177	1,858,661	1,042,144	64,155,982	105,533,776
2007	64,567,396	*10,507,501	1,073,946	76,148,843	5,305,277

* Includes $8,161,037 for the transfer of 33 members to the Firefighter’s Retirement System of Louisiana

SCHEDULE OF CHANGES IN NET ASSETS (PGT)

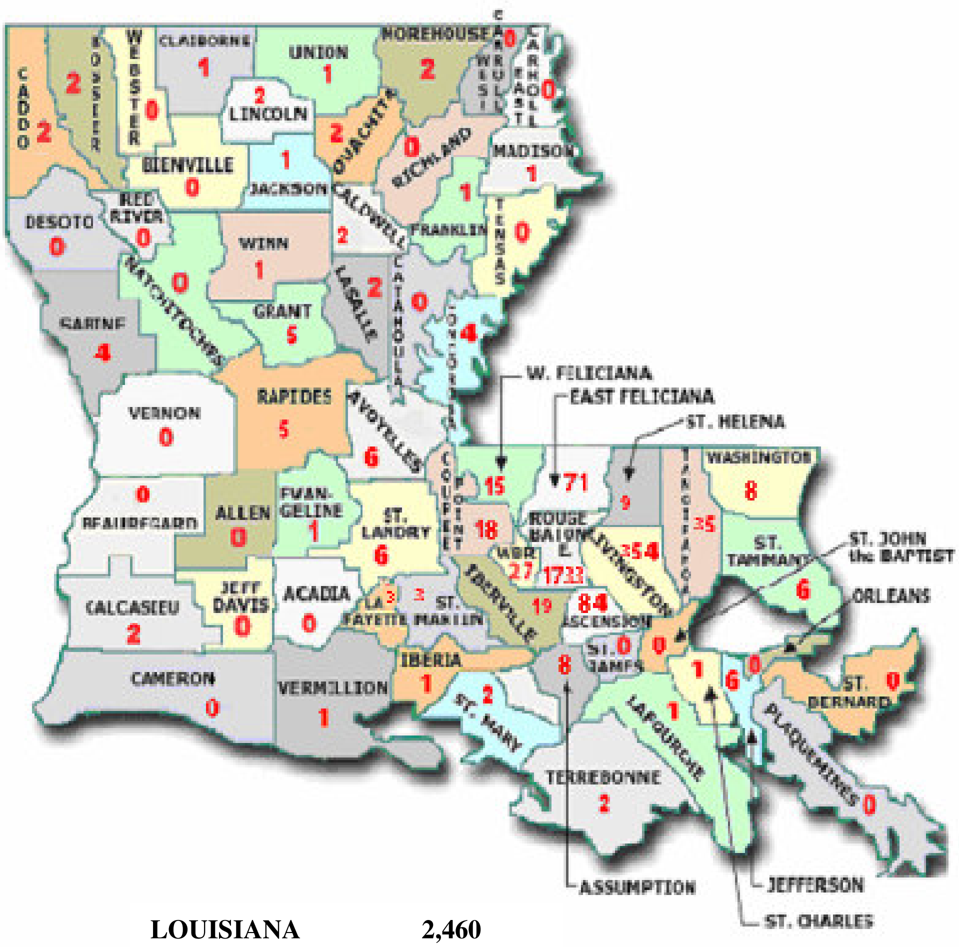
Fiscal Year	Member Contributions	Employer Contributions	Net Investment Income	Total Additions to Net Assets
	$	$	$	$
2000	42,082	61,106	2,256,530	2,359,718
2001	45,442	117,845	(238,149)	(74,862)
2002	43,427	55,955	(1,820,472)	(1,721,090)
2003	49,586	76,982	4,926,746	5,053,314
2004	55,315	83,317	3,097,500	3,236,132
2005	53,883	93,973	1,835,087	1,982,943
2006	62,990	125,314	3,904,125	4,092,429
2007	67,285	123,140	1,006,614	1,197,039

Fiscal Year	Benefit Payments	Refunds and Withdrawals	Admin. Expenses	Total Deductions from Net Assets	Total Changes in Net Assets
	$	$	$	$	$
2000	836,898	13	465,689	1,302,600	1,057,118
2001	790,646	466	301,978	1,093,090	(1,167,952)
2002	531,005	600	258,758	790,363	(2,511,453)
2003	988,682	644	219,814	1,209,140	3,844,174
2004	1,134,928	1,097	200,810	1,336,835	1,899,297
2005	2,405,005	212	266,382	2,671,599	(688,656)
2006	1,562,831	3,137	230,070	1,796,038	2,296,391
2007	1,501,715	61	251,644	1,753,420	(556,381)

Note: only eight years of data are available

RETIREES AT DECEMBER 31, 2007

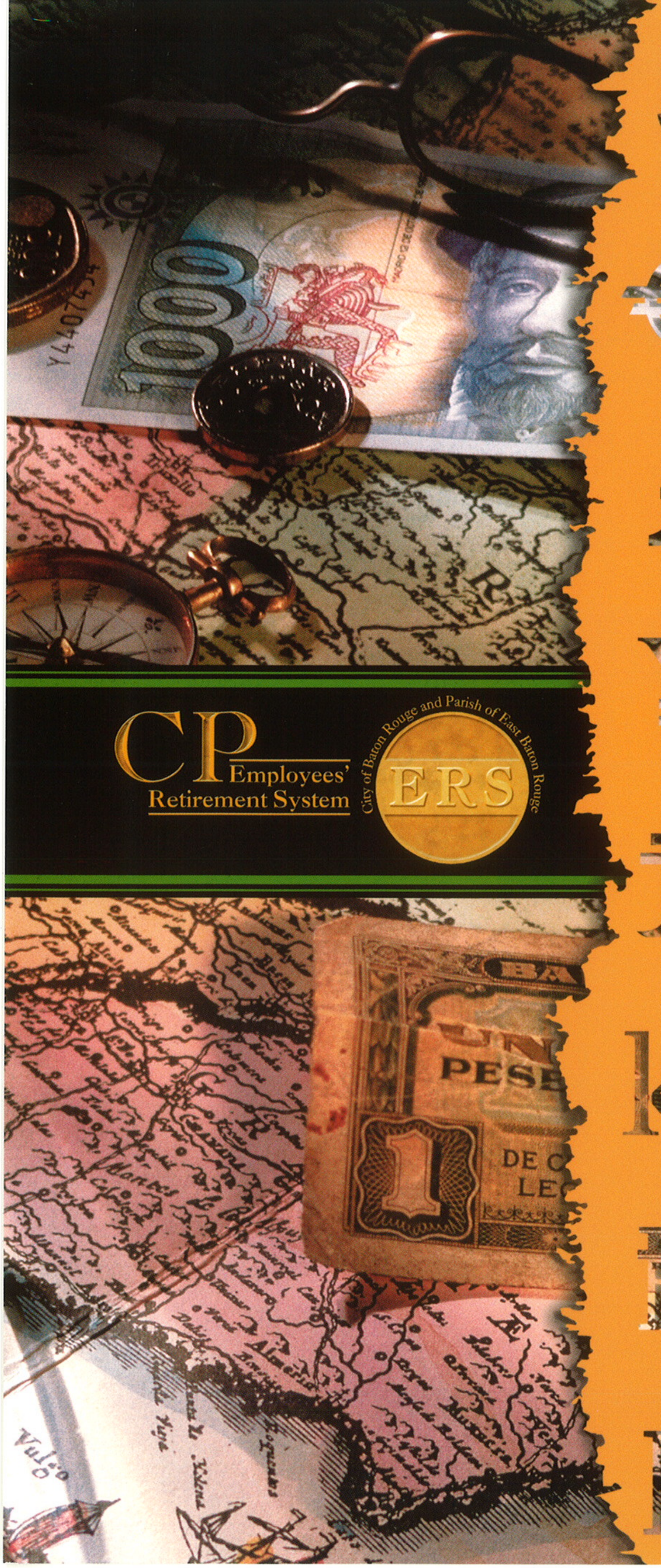
Louisiana Breakdown by Parish



LOUISIANA	**2,460**
OTHER STATES	**177**
TOTAL RETIREES	**2,637**

STATES

ALABAMA	**4**
ARKANSAS	**9**
ARIZONA	**1**
CALIFORNIA	**3**
COLORADO	**3**
DIST. OF COLUMBIA	**1**
FLORIDA	**17**
GEORGIA	**4**
ILLINOIS	**2**
IOWA	**1**
KENTUCKY	**3**
MAINE	**1**
MARYLAND	**1**
MASSACHUSETTS	**1**
MICHIGAN	**1**
MINNESOTA	**1**
MISSISSIPPI	**56**
MISSOURI	**10**
MONTANA	**1**
N. CAROLINA	**1**
NEVADA	**1**
OHIO	**1**
OKLAHOMA	**4**
OREGON	**1**
TENNESSEE	**15**
TEXAS	**32**
UTAH	**1**
W. VIRGINIA	**1**



CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

Alternative Retirement Plans

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

DEFERRED RETIREMENT OPTION PLAN - (DROP)

The Deferred Retirement Option Plan became effective January 1, 1982, and was created essentially to provide a cost of living increase for retirees, which would be cost neutral to the System and the employer. It has undergone several structural changes over the years. The fundamental provisions of the DROP are as follows:

Eligibility
A member eligible for retirement may contractually, in lieu of immediate termination of employment and receipt of a service allowance retirement, continue employment for a specified period of time while deferring the receipt of retirement benefits. At the end of the contractually specified time, the employee terminates employment. Eligible members are considered those who (a.) have attained 25 years of creditable service and not more than 30 years of creditable service or (b.) have attained at least 10 years of service and are age 55 or older.

Participation
The member may participate in the DROP for a period not exceeding either 5 years or a number of years which, when added to the number of years of creditable service, equals 32. For members entering the DROP with less than 25 years of service, DROP participation is limited to 3 years. The ordinance provides for a member with interrupted service, while on the DROP, to resume participation if he has not received any distributions from his DROP account that were not based on his life expectancy.

For members electing to participate in the DROP after July 1, 1991, the member shall agree to terminate employment at the end of the DROP participation period or immediately receive a distribution, representing a lump-sum payment in the amount equal to the member's DROP account balance, without the addition of any interest amount, and the member's DROP account shall be terminated. Should a member choose to remain employed, no additional service credit or additional benefits shall be earned.

For members who transferred to the Municipal Police Employees' Retirement System, the total DROP participation in both systems combined cannot exceed 5 years. In some cases, the member may be required to enroll in one system's DROP for a period of time prior to enrolling in the other system's DROP. Rights in the CPERS and Police Guarantee Trust DROP are contractually guaranteed through the *Agreement and Guarantee of Retirement Rights and Benefits.*

Interest Rate
Each year a DROP interest rate is determined by the System's actuary and paid to members' accounts where applicable. The rate is an average of five (5) years of market rates of return, compounded quarterly, as measured by the System's investment consultant. The DROP interest rate credited to members' accounts is the percentage rate certified by the actuary less one annual percentage point (100 basis points).

Termination of Participation
For a member who terminates employment in accordance with the DROP contract terms, and thus becomes a retiree, an election can be made regarding the withdrawal of DROP account funds. The retiree can choose any of the following options:

1. a lump-sum distribution of the balance in the DROP account, provided he has not yet received his first regular pension payment.
2. a method of distribution based on life expectancy.
3. any other method of distribution approved by the Retirement Board of Trustees.

If the terminating member is age 55 or older (age 50 for public safety officers), any severance/separation pay must be rolled into his existing DROP account. For members less than 55 years of age (age 50 for public safety officers), the option is given to either roll the severance/separation pay into his DROP account or take receipt of it. The option to roll is not available to transferred police members.

Survivor Benefits
Essentially, a surviving spouse of a DROP participant retains the same rights for the account as the member had. The methods of withdrawal are basically the same also. For beneficiaries other than the spouse, the beneficiary receives a lump-sum payment equal to the member's individual account balance in the DROP account. If no beneficiary is named, the member's estate receives the lump-sum payment from the DROP account.

EXCESS BENEFIT PLAN

The Excess Benefit Plan was created as a separate, unfunded, non-qualified plan, and intended to be a qualified governmental excess benefit arrangement as defined in Section 415(m)(3) of the Internal Revenue Code.

A member whose benefit exceeds the maximum benefit allowed under Section 415 of the Code, is entitled to a monthly benefit under the excess benefit plan in an amount equal to the lesser of the member's unrestricted benefit less the maximum benefit, or the amount by which the member's monthly benefit from the pension plan has been reduced because of the limitations as provided for in section 1:272 of the Retirement Ordinance.

The Excess Benefit Plan is administered by the Retirement Board of Trustees who are assigned the same rights, duties, and responsibilities for this plan as for the pension plan. The System's actuary is responsible for determining the amount of benefits that may be provided under the pension plan solely because of the limitations of section 1:272 of the Retirement Ordinance and Section 415 of the Code. The actuary also determines the amount of contributions that will be made to the Excess Benefit Plan rather than to the pension plan.

Contributions may not be accumulated under the Excess Benefit Plan to pay future retirement benefits. Instead, each payment made by the employer is reduced by the amount determined by the System's actuary to be required as funding for the Excess Benefit Plan. Employer contributions made to fund the Excess Benefit Plan are not commingled with the monies of the pension plan or any other qualified plan. Also, this plan may never receive any transfer of assets from the pension plan.

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

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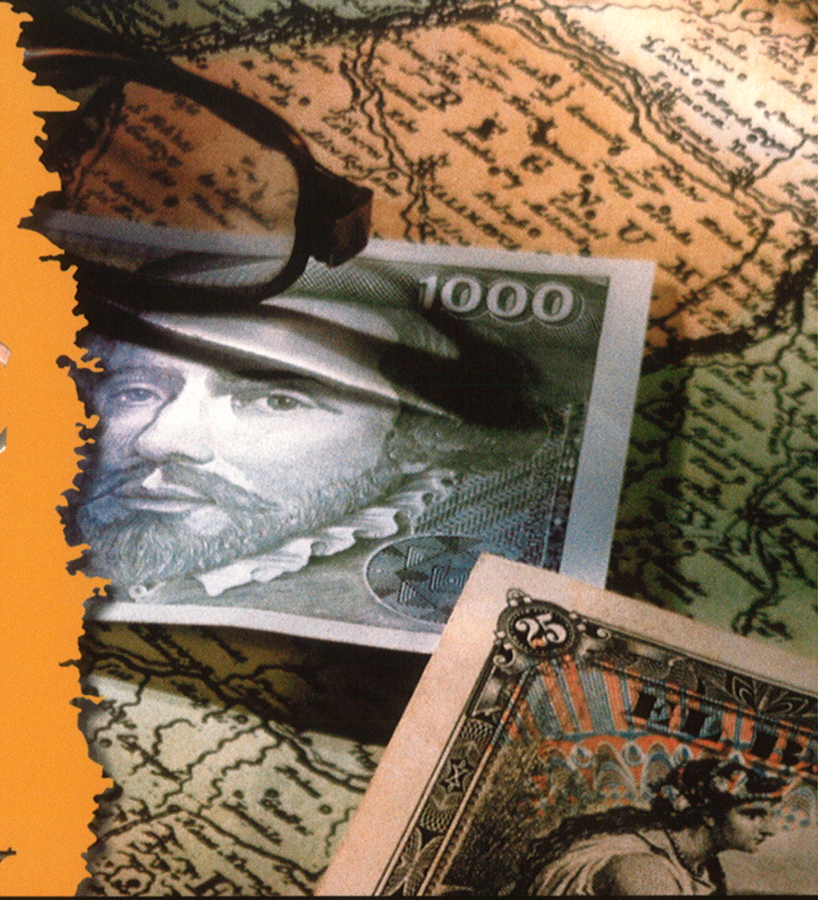

CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE

EMPLOYEES' RETIREMENT SYSTEM

A Component Unit of the Consolidated Government of the
City of Baton Rouge and Parish of East Baton Rouge, Louisiana

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge
ERS

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